



Integrated Report 2021

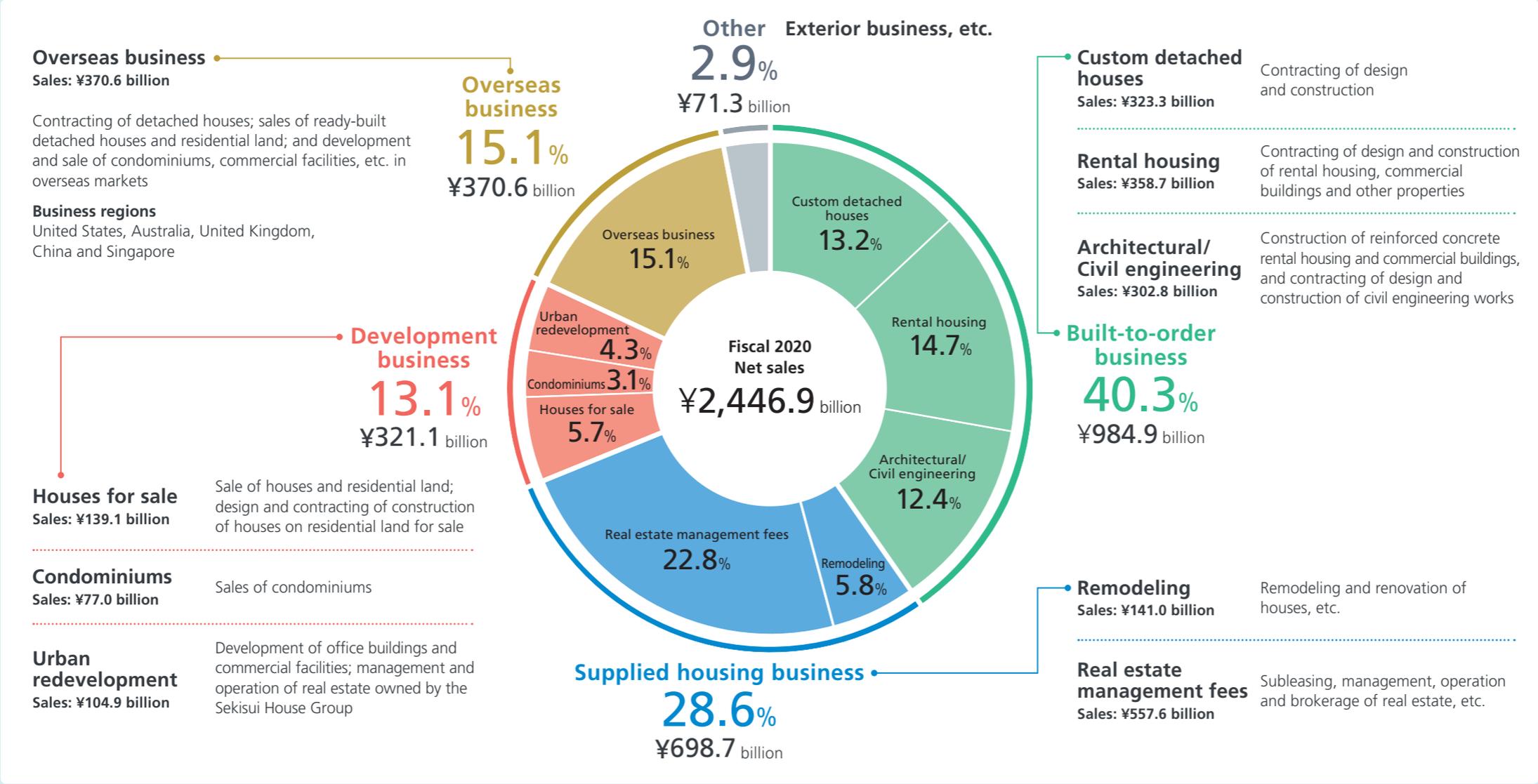
For the year ended January 31, 2021

SEKISUI HOUSE, LTD.

Business Portfolio

The Sekisui House Group currently divides its operations into four areas: the built-to-order business, supplied housing business, development business, and overseas business. The built-to-order business creates high-quality houses on land owned by the customer. The supplied housing business works to increase the asset value of housing stock through remodeling and supports

the management of rental housing through subleasing. The development business starts from land acquisition and other investments to create high-quality communities. The overseas business provides housing markets in other countries with the quality and advanced technologies we have cultivated in Japan.



Overseas business

Sales: ¥370.6 billion

Contracting of detached houses; sales of ready-built detached houses and residential land; and development and sale of condominiums, commercial facilities, etc. in overseas markets

Business regions

United States, Australia, United Kingdom, China and Singapore

Overseas business
15.1%
¥370.6 billion

Development business
13.1%
¥321.1 billion

Houses for sale
Sales: ¥139.1 billion

Sale of houses and residential land; design and contracting of construction of houses on residential land for sale

Condominiums
Sales: ¥77.0 billion

Sales of condominiums

Urban redevelopment
Sales: ¥104.9 billion

Development of office buildings and commercial facilities; management and operation of real estate owned by the Sekisui House Group

Custom detached houses
Sales: ¥323.3 billion

Contracting of design and construction

Rental housing
Sales: ¥358.7 billion

Contracting of design and construction of rental housing, commercial buildings and other properties

Architectural/Civil engineering
Sales: ¥302.8 billion

Construction of reinforced concrete rental housing and commercial buildings, and contracting of design and construction of civil engineering works

Built-to-order business
40.3%
¥984.9 billion

Remodeling
Sales: ¥141.0 billion

Remodeling and renovation of houses, etc.

Real estate management fees
Sales: ¥557.6 billion

Subleasing, management, operation and brokerage of real estate, etc.

Key Concepts for Understanding Sekisui House

Sekisui House has grown along with society by putting the pursuit of value for residents first. Always looking to the future, we will continue to help realize a sustainable society and grow as a global company.

Our well-being survey covers all Group employees

Approx. **27,000** employees



91% ZEH¹ ratio
Largest cumulative total in Japan

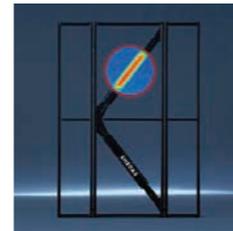
First company in Japan's construction industry to join RE100² **RE 100** | °C 

1. Net zero energy house
2. RE100: An international initiative aiming to obtain 100% of the electricity used in business operations from renewable energy sources.

2.5 million units

The world's largest cumulative number of dwellings built

(As of January 31, 2021)



Sekisui House Technology

2018

The first year of governance reforms



Human Life R&D Institute, Japan's first institute

specializing in research on **well-being**

Helping residents achieve happiness through **health, connectedness and learning**
Platform House Concept



PLATFORM HOUSE



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Communication Overview

	Financial Information	Non-Financial Information
Dialogue	Briefings on earnings results and management plans Conference calls with analysts and investors General Meeting of Shareholders	Briefings on ESG management Meetings with stakeholders
Reports	Securities Report (Japanese only) Business Report	 Integrated Report A report that integrates significant financial and non-financial information, and incorporates the TCFD Report.
Website	 Investor Relations	 Sustainability/ESG

Scope of Report

Sekisui House, Ltd. and its consolidated subsidiaries

Period Covered

February 1, 2020 to January 31, 2021
 Some information from before and/or after this period is included.

Reference Guidelines

- The International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC)
- "Guidance for Collaborative Value Creation," Ministry of Economy, Trade and Industry
- "Environmental Reporting Guidelines (Fiscal Year 2019 Edition)," Ministry of the Environment
- ISO 26000 (Guidance on Social Responsibility), International Organization for Standardization
- "Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures," Task Force on Climate-related Financial Disclosures (TCFD)

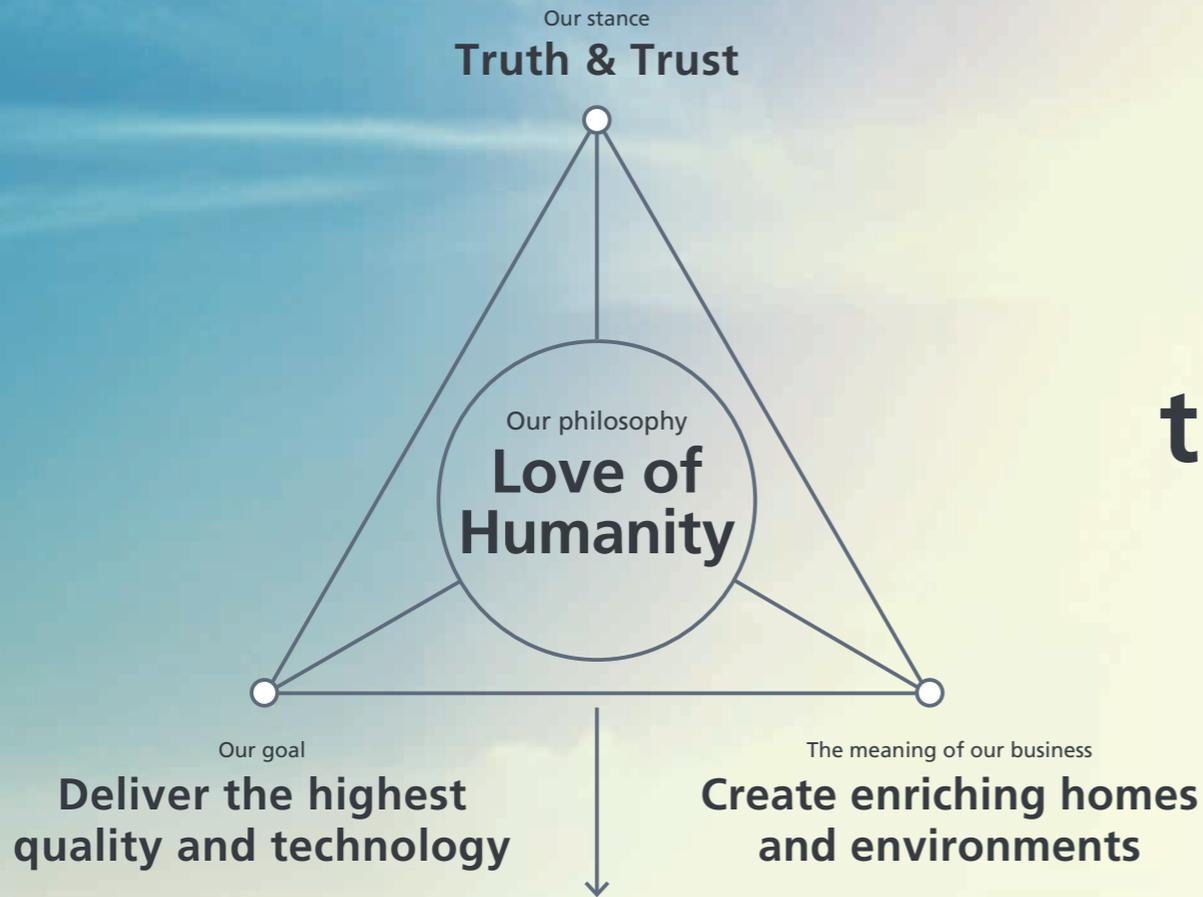
Editorial Policy

This report is intended mainly for institutional investors and shareholders and has been edited with the primary purpose of facilitating understanding of the Sekisui House Group's businesses and initiatives to improve corporate value through its value creation process. The principal features are the incorporation of the TCFD Report and improvements from the reader's perspective to facilitate viewing on a tablet or PC. Comprehensive explanations of each business and the management foundation use an approach that integrates ESG.

Note on Forward-Looking Statements

Forward-looking statements in this report, such as performance forecasts, are estimates made by the Company based on information available at the time this report was prepared and include potential risks, uncertainties and other factors. Please be aware that actual results may differ significantly from forecasts due to changes in various factors.

Corporate Philosophy



The Sekisui House Global Vision

Make home the happiest place in the world



A History of Creating Value

Sekisui House has grown while helping to resolve social issues. We are utilizing the technologies and track record for providing value that we cultivated in the first and second of our 30-year phases to make steady progress in our third phase, which is a new growth stage.

Our mission as a home builder is to provide value that leads to happiness for residents. In our rapidly changing social environment, we will remain closely attuned to the needs of residents and work without pause as we continue to progress as a global company contributing to a sustainable society.



Launched Model B, the origin of our mainstay products, in 1961
Began designing gable roofs and using A panels, high-performance factory-produced exterior aluminum sandwich panels

Phase and Social Issues Addressed

1960–1990

Phase 1 For Safety & Security

Social issues

Our founding mission was to help resolve the housing shortage caused by a rapid increase in demand during this period of high economic growth. We played a part in reconstruction by offering pre-engineered housing with a short construction timeframe and ensured safety and security by providing shelter through houses that protect lives and property in Japan, where natural disasters are frequent. We led the housing industry with initiatives that were the first in the industry, such as the adoption of metric specifications.



Business History

- 1960** Established as Sekisui House Sangyo Co., Ltd.
- 1961** Started operation of Shiga Factory (production discontinued in 2009)
Adopted metric specifications (first in the industry)
- 1964** Established direct sales system
- 1973** Shiga and Kanto factories were both recognized by the Minister of International Trade and Industry for excellence in quality control of factory-made housing (first in the industry)
Sekisui House's steel-frame construction method received the Encouragement Prize (first in the prefabricated housing industry)
- 1984** Launched DYNE CONCRETE original exterior wall material
- 1987** Tokyo Customer Service Center established as the Company's first customer service center
- 1990** Comprehensive Housing R&D Institute (Kyoto) completed



ESG Initiatives

- 1981** Built Japan's first model house designed with consideration for residents with disabilities
- 1982** Launched the PSH-21 passive solar house utilizing natural energy
- 1989** Established the Sekisui House concept of building homes for "comfortable living—now and always."



In an era when wood frame homes were the standard, the Model A homes that we built using steel, aluminum and plastic as building materials were the cutting-edge houses of the time



The Comprehensive Housing R&D Institute (Kyoto) opened, becoming our full-fledged center for research and development and having a major impact on Japan's housing industry

Phase and Social Issues Addressed



Phase 2

For Comfort & Sustainability

Social issues

As environmental issues and climate change became more apparent worldwide, we focused on meeting the needs of residents seeking comfortable lives. We led other companies in further enhancing superior technologies in areas such as earthquake resistance, durability and insulation to achieve both comfort and high energy-saving and other environmental performance. We also pursued comfortable environments for entire communities through town development and redevelopment projects.



Phase 3

Happiness in the Era of the 100-Year Lifespan

Business History



- 1995** Started wooden-frame (SHAWOOD) housing business
- 1999** Established the U-trus System manufacturer warranty program
- 2002** Announced full-scale implementation of universal design in all houses
- 2003** Established industry's highest air quality standards for all houses
- 2007** Launched our original SHEQAS seismic control system
- 2010** Cumulative number of dwellings built exceeded 2 million
- 2011** Started sales of Airkis high-quality indoor air system
- 2013** Launched Green First Zero, a net zero energy house
- 2018** Opened the Human Life R&D Institute, Japan's first institute specializing in research on well-being
Started the Trip Base *Michi-no-Eki* Stations Project, a regional revitalization business
- 2019** Exhibited at CES 2019 (Consumer Electronics Show)
Announced the Platform House Concept

ESG Initiatives



- 1999** Announced the Environmental Future Plan
- 2001** Announced *Gohon no ki* landscaping project
- 2005** Expanded hiring of female sales staff
- 2007** Started annual nationwide meet-and-greet event for female sales staff
Established the Female Sales Staff Promotion Committee
- 2008** Recognized by the Minister of Environment as the housing and construction industry's first Eco-First Company
Announced our Eco-First Promise and 2050 Vision
- 2014** Started Sekisui House Women's College
- 2016** Launched telecommuting system
- 2018** First year of governance reforms
Formulated six measures for strengthening our corporate governance system
Started special childcare leave program (*Ikumen* Leave)
- 2019** Established new personnel registration system covering both opposite-sex common law marriages and same-sex partnerships

Providing a range of value through housing, centered on health, connectedness and learning

Creating a future where people worldwide can live happily in Sekisui House dwellings under a global vision to "make home the happiest place in the world"



Our premium product IS STAGE was designated as a Good Design Product (GDP) in 1991, a first in the factory-made home category



M'GRAVIS, the pinnacle of the wooden-frame SHAWOOD house brand, elicits a serene image with our original blue-green earthenware roof tiles and horizontal eaves



Green First Zero, a net zero energy house that provides comfortable living while reducing CO₂ emissions through the use of photovoltaic power generation



President & CEO Nakai presents the Platform House concept at CES 2019, an exhibition of digital technologies held in Las Vegas

Message from the President

We aim to create value for residents in the era of the 100-year lifespan as we transform into a global company that offers integrated proposals of technologies, lifestyle design and services, based on the residential domain.

Yoshihiro Nakai

Representative Director
President & Executive Officer, CEO



Message from the President

I would like to express my sincere condolences to the families and friends of loved ones who have been lost to COVID-19. I also extend my deepest sympathies to those with the disease and everyone whose lives have been affected by the pandemic. Furthermore, I want to thank all the essential staff who have been providing support on the front lines. The Sekisui House Group places the highest priority on the safety of its customers, suppliers, related parties and employees. We are committed to doing our utmost to contribute to the development of society while continuing to take the necessary measures to prevent the spread of infection.

A Philosophy of Love of Humanity and Five New Material Issues

The environment for housing is undergoing major changes that go beyond pandemics such as COVID-19 and other upheavals. Reasons for these changes include intensifying natural disasters, gaps in housing supply and demand around the world, and the uncertain outlook for the global economy. However, the Sekisui House Group has consistently been ahead of the times in developing advanced technologies and making lifestyle proposals to help resolve social issues as it supplies customers with high-value-added housing. Last year, the Group celebrated its 60th anniversary with the announcement of a long-term global vision for the next 30 years to make home the happiest place in the world. This vision originates from our philosophy of love of humanity.

In Sekisui House's first phase, consisting of the 30 years after the Company's founding, we supplied shelter in the form of safe and secure houses, while in the 30 years of our second phase we aimed for and popularized houses that offer comfort and eco-friendliness. In the 30 years from 2020, which we have designated as our third phase, we intend to supply a range of value in housing that helps provide happiness in the era of the 100-year lifespan. To achieve this objective, I want the Sekisui House Group to continue to pass down the organizational culture it has cultivated since its founding to steadily become a global company that offers integrated proposals of technologies, lifestyle design and services, based on the residential domain.

To realize its global vision and with the aim of being a leader in ESG management, Sekisui House established the ESG Management Promotion Headquarters. Then in 2021, we identified five

new material issues for ESG management: pursue the potential of the home; coexist with local communities; concentrate diverse capabilities; lead the way to a decarbonized society; and embody integrity. In light of our corporate philosophy, DNA and values, as well as the global business environment that lies ahead, we have given the highest priority to addressing these material issues. We will bring together the capital, assets, expertise and human potential of the Sekisui House Group to address these issues as a leader in ESG management.

Steadily Implementing the Fifth Mid-Term Management Plan to Lay the Groundwork for the Future

The current Fifth Mid-Term Management Plan is a three-year period of further strengthening our core businesses by addressing the five material issues I mentioned to build a new business foundation while laying the groundwork for embarking on new businesses. In our built-to-order and other core businesses, we are stepping up integration of technologies, lifestyle design and services to further develop high-value-added proposals including eco-friendliness, our new clean indoor air environment control system, and the Family Suite and *Minna no Kurashi 7 Stories* concepts that are tailored to customer lifestyles. At the same time, we intend to conduct forward-looking initiatives such as research and development of our Platform House Concept and the development of a one-stop service using blockchain technology to assist with occupancy and related procedures for new renters, while working to generate business opportunities in new markets. Meanwhile, we will continue to take on challenges in our overseas business, such as incorporating various marketing and sales methods and advanced technologies cultivated in Japan. We aim to supply 10,000 detached houses. The globalization of Sekisui House technology is progressing steadily.

Providing New Value to Society through the Integration of Technologies, Lifestyle Design and Services

I would like to go into more detail about our Platform House Concept.

Looking ahead to the next 30 years of the housing industry, how can we provide new value—

Message from the President

not simply ensuring earthquake resistance and the like, and provide something different from the value we have traditionally offered? To begin with, as we enter the era of the 100-year lifespan, the Sekisui House Group has broken down happiness into the three factors of “health,” “connectedness” and “learning,” and is conducting ongoing research and development on how we can offer customers high-value-added houses by combining these three factors. As concern for health rises, home healthcare features will become indispensable. Demand for an even greater range of connectedness using IT is imminent. The COVID-19 pandemic has led people to see the particular importance of connectedness in a new light. We aim to assist with our customers’ happiness by transforming a house, which is a tangible product, into a place that helps create intangible assets such as health, skills and knowledge, as well as novel services.

Ideally, a company should provide value to society. That then means the company can stay in business, which means that it can maintain its connection with society to provide even greater value going forward. The Platform House Concept is an initiative that faces very high hurdles, but I want us to proceed, always keeping in mind our mission as a top company in Japan’s housing industry. As our first step, together with numerous alliance partners we are developing technology for early detection of acute illnesses that occur at home. At the same time, we are promoting open innovation to realize joint industry-academia development of advanced technologies. Since December 2020, we have been soliciting participation in a pilot project in which the HED-Net in-home early detection network is installed in the houses of consenting customers who are building new detached houses in the Tokyo metropolitan area. This project involves the operation of contact-less biosensors under real-life conditions to verify data acquisition, the accuracy of the decision-making program, system operation and other factors. We will then further improve the accuracy and responsiveness of sensors and algorithms for future commercialization and hasten the start of a service for rapid response to acute illness. Consistent deployment of advanced technologies to provide new value to society and people is part of Sekisui House’s DNA, and this initiative embodies that DNA.

Moreover, in September 2020 we opened seven “lifestyle model houses” at our *Sumai no Yume Kojo* (Dream Factory for Housing) facility in the Kanto region. Under the name *Minna no Kurashi 7 Stories*, the facility offers a blueprint of possible scenarios for families with different compositions—

age groups, occupations, hobbies, values and lifestyles—to give visitors a realistic picture of what it would be like for such families to actually live there. This new and original Sekisui House Group initiative enables us to make one-stop proposals that combine our technological and product strengths with the “happy houses” our Human Life R&D Institute has been researching. Many customers have chosen Family Suite, which has specifications designed by the Human Life R&D Institute that integrate technologies and lifestyle design to offer large open-space living that departs from Japan’s conventional living room, dining room and kitchen (LDK) configuration.

We also consistently lead the industry in environmental initiatives. The Sekisui House Group announced its Environmental Future Plan in 1999 and is now the world’s largest seller of net zero energy houses (ZEH). Going forward, we will step up promotion of ZEH condominiums and environmental measures through our Sha Maison rental housing. If we can popularize ZEH for rental housing, the numerous residents living in these apartments will experience first-hand a sense of helping to protect the environment. Transforming to ZEH multiple-dwelling complexes is crucial for resolving environmental issues, so we intend to continue taking on ambitious challenges.

Reforming Our Corporate Culture through Innovation and Communication

Despite the ongoing worldwide COVID-19 pandemic, every one of our employees continued to think about what value they should provide to customers and how to provide it, and then took action. For example, in the built-to-order and supplied housing businesses, we established a system for customers to consult with us online through *Ouchi-de-Sumai Zukuri* (Housebuilding from Home) and other services. Sales departments and head office staff working together made a major contribution to a recovery in orders. Their efforts included creating a television commercial over a three-day period that featured Sekisui House employees. Likewise, technical departments responded promptly to new lifestyle scenarios by achieving a healthy and clean indoor air environment. They expedited practical application of SMART-ECS, a next-generation indoor environment control system designed to remove viruses and pollen. The system rapidly ventilates rooms and purifies air while minimizing changes in temperature, so residents need not rely solely on opening windows for ventilation. I want our

Message from the President

employees to come up with ideas and to engage in lively interaction, as expressed in our slogan “Innovation and Communication.” I tell employees that this is what leads to new innovations. I felt the energy of the quick actions of employees in response to the COVID-19 pandemic, and I also got a sense of the effectiveness of our corporate culture reforms. Every six months, I present the President’s Award to one of our workplaces under a system that incorporates evaluations from the perspective of ESG. I think ESG is not something to be imposed from above by management; rather, employees embody ESG when they act without consciously aiming for it. Rather than making ESG one aspect of our Company, I want to make the Company one aspect of ESG.

Governance That Supports Stronger, Healthier Growth

Sekisui House Group positioned 2018 as the first year of governance reform and has been conducting reforms in rapid succession. We implemented 21 reforms over a three-year period, including the introduction of a mandatory retirement age of 70 for representative directors, an increase in the ratio of independent outside directors on the Board of Directors and a review of the term of office for directors. We also fundamentally revised officer remuneration to promote the effectiveness of medium-to-long-term business management. Officer remuneration consists of basic, short-term, and medium-to-long-term remuneration, each given equal weight, with the short-term and medium-to-long-term portions being performance-related. Of the medium-term KPIs for officer evaluation, 20% are for ESG, which is still rare in corporate Japan. We announce a mid-term management plan every three years, so we want to fulfill our promises to our stakeholders within that period. At the April 2021 General Shareholders’ Meeting, we received approval to select members of the Board of Directors based on a skill matrix designed to realize our global vision. Outside directors make up 40% of the new Board of Directors, further enhancing management transparency and effectiveness. For diversity, three of the ten directors are women, and the ratio of female officers, including Audit & Supervisory Board members, exceeds 30%. Furthermore, to improve fairness and transparency, in 2020 we revised the structure of the Personnel Affairs and Remuneration Committee and made the chairperson an outside director. Following the General Shareholders’ Meeting in 2021, we also decided to appoint an outside director to chair the Board of Directors.

We have implemented governance reforms to ensure fair and impartial corporate management, but reform is an ongoing process. We will continue to proactively conduct reforms that keep pace with the times.

Ideal Functions and Composition of the Board of Directors

Sekisui House has worked to strengthen its supervisory function by increasing the independence of the Board of Directors and by transferring authority through reforms to its Management Meeting and executive officer system. By doing so, we are moderately separating the functions of management supervision and business execution. In addition to formulating management policies, strategies and plans, the Board of Directors, which includes outside directors, utilizes its skill matrix that encompasses diverse knowledge, experience and abilities in making decisions related to important medium-to-long-term business execution, while delegating authority over decisions about short-term and segment-by-segment business execution to the Management Meeting. Moreover, we have made substantial changes to our executive officer system, reorganizing it into four levels – entrusted executive officers (president, vice chairman, executive vice president and senior managing officers) who concurrently serve as directors; entrusted executive officers (managing officers) who are candidates for directors; employed executive officers who are responsible for execution; and operations officers who are candidates for employed executive officer. The main objective of this reorganization is to enhance management personnel and build a pipeline of leaders. We will make that pipeline sustainable by systematically training or securing management personnel using a 24-position matrix created by interlacing the four levels of executive officer with our six divisions, including the Division of Built-to-Order Business and the Business Strategy Division. In addition, since employed executive officers and operations officers maintain their employee status after their appointment, the system facilitates the selection of young talent and personnel rotation among divisions.

In closing, I believe my mission is to achieve strong and sustainable growth for the Sekisui House Group so that we deliver happiness to as many people as possible in the era of the 100-year lifespan.

I look forward to your continued support.

Our Goals

Under the global vision to “make home the happiest place in the world” that we announced in 2020, we will steadily transform into a global company that offers integrated proposals of technologies, lifestyle design and services, based on the residential domain, with the aim of creating value for residents in the era of the 100-year lifespan.

The Sekisui House Global Vision

Make home the happiest place in the world



Propose happiness through the integration of technologies, lifestyle design and services

- ▶ Build close relationships with residents and become their partner in creating happiness
- ▶ Propose new value in the form of happiness stemming from intangible assets such as health, connectedness and learning



Become a leading company in ESG management

- ▶ Drive global initiatives through net zero energy housing (ZEH) and make a global contribution through our RE100 commitment
- ▶ Turn diversity into a growth driver
- ▶ Innovation and communication



Make Sekisui House technologies the global de facto standard

- ▶ Promote Sekisui House technologies worldwide to enable the provision of quality housing that offers safety, security and comfort
- ▶ Original technologies developed in Japan that deliver safety and security in terms of strong earthquake resistance, fire protection and shock resistance
- ▶ Original technologies that deliver comfort in terms of insulation performance, universal design and indoor air system technology

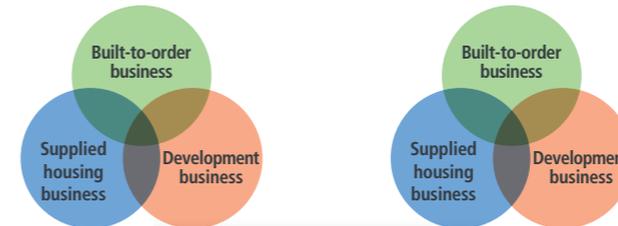
Become a global company that offers integrated proposals of technologies, lifestyle design and services, based on the residential domain

The Sekisui House Goals

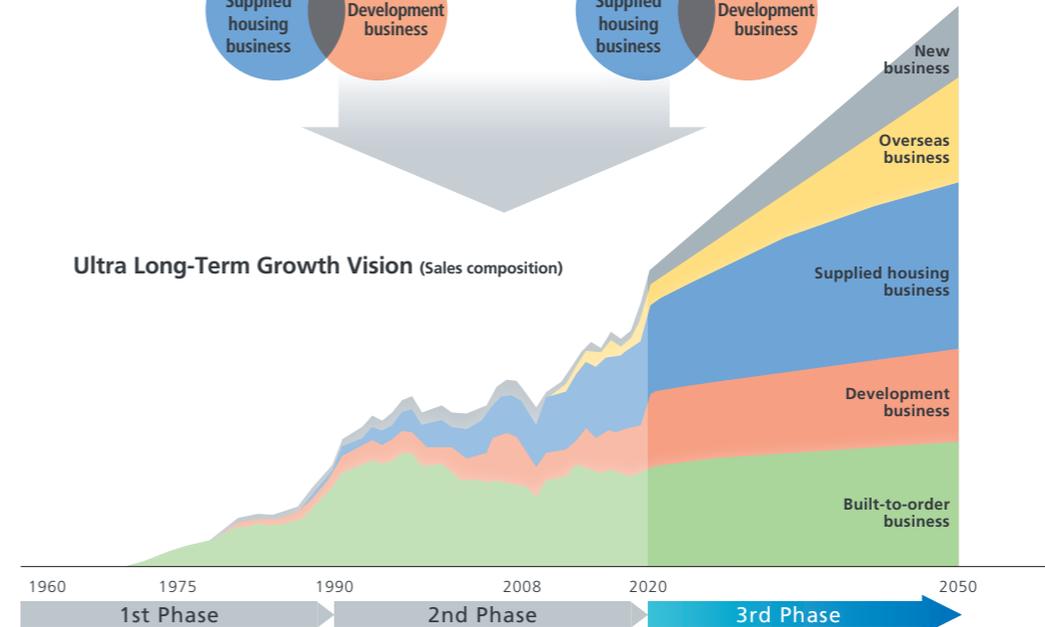
Expand domestic and overseas businesses by offering integrated proposals of technologies, lifestyle design and services

Realize sustainable growth of the Sekisui House Group through the organic growth of six business pillars

— Domestic Business — — Overseas Business —



Ultra Long-Term Growth Vision (Sales composition)



Value Creation Process

Sekisui House's value creation process is supported by its corporate DNA—the philosophy of “love for humanity” underlying its corporate philosophy—and ESG management with a mindset that change is opportunity. With the aim of achieving our vision to “make home the happiest place in the world,” we will enhance our business and continue to create new value by effectively and efficiently utilizing the management resources of the Sekisui House Group.

Our Goals → Page 11

The Sekisui House Global Vision

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

Sekisui House's Operating Environment → Page 13

Megatrends

- Climate change
- Ecosystem conservation
- Resource recycling
- Economic and policy changes
- Globalization
- Changes in population movement
- Technological innovation

Risks

- Increasingly severe natural disasters
- Pandemics
- Population decline

Opportunities

- Promotion of ZEH
- Growing adoption of renewable energy
- Growing need for regional revitalization

Inputs

Management resources → Pages 17-18

- Ensuring healthy finances and investment (financial capital)**
D/E ratio of 0.42, investment in real estate of ¥1,650 billion (during the Fifth Mid-Term Management Plan)
- Production/distribution bases (manufacturing capital)**
5 factories and 40 distribution centers in Japan
- R&D bases (intellectual capital)**
Comprehensive Housing R&D Institute, Human Life R&D Institute and Sumufumulab
- Diverse human resources (human capital)**
236 female employees in managerial positions and 3,283 first-class architects
- Customer base/construction capabilities (social/relationship capital)**
Cumulative 2.5 million dwellings built, about 2,600 partner building contractors
- Renewable energy/resources (natural capital)**
Sekisui House Owner Denki, Resource Recycling Center

Business Enhancements and Outputs → Page 19

The Platform House Concept for the Era of the 100-Year Lifespan



Core Competencies → Pages 20-21



Outcomes

(Value created from material issues) → Pages 14-16

Home	Expansion in business areas related to the home
Environment	Achieve a decarbonized society
Community	Coexistence with and revitalization of local communities
People	Human resource value from diverse capabilities
Organization	An organization greater than the sum of its parts

Our philosophy of love of humanity
Foundation of value creation process: ESG management

Sekisui House's Operating Environment

Opportunities and risks for ESG management

Megatrends

Climate change

- Acceleration of decarbonization due to concerns about global warming

Ecosystem conservation

- Responses to ecosystem change due to 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
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

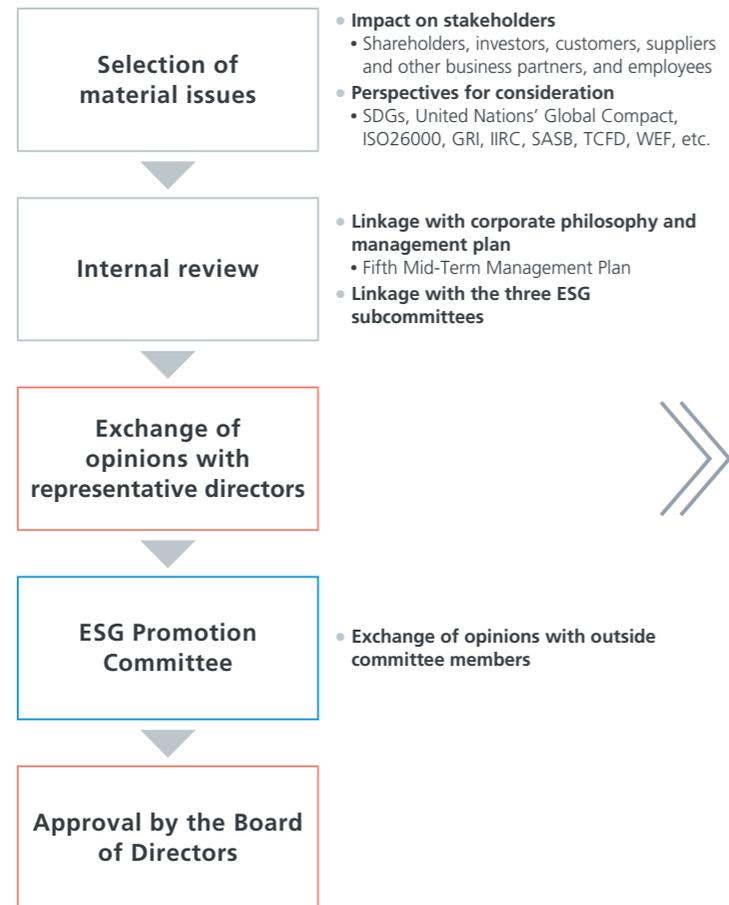
Promoting net zero energy housing (ZEH)
Promoting net zero energy buildings (ZEB)
Popularizing highly durable (long-lasting) homes, etc.
Growing adoption of renewable energy
Effective landscaping proposals for shrubs and trees
Popularization of water-saving housing facilities
Promotion of recycling business 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 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

Material Issues

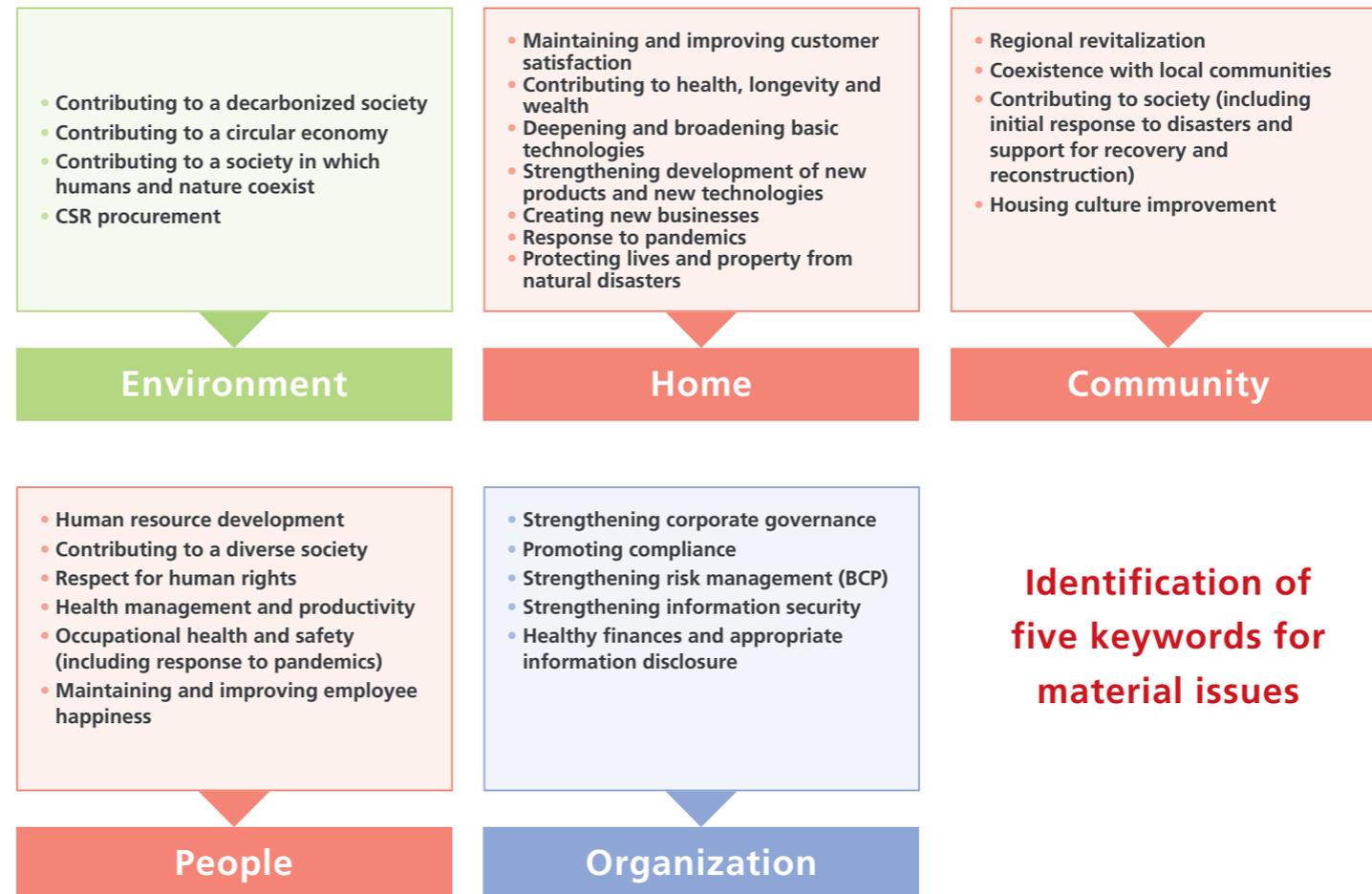
The Sekisui House Group has identified five material issues that are important to stakeholders and through which it has a significant impact on the economy, the environment and people. Following here are our initiatives for addressing these issues.

We believe that our strength lies in the direct link between our initiatives to contribute to the environment and society and the creation of value through our business.

Process for Identifying Material Issues



Material Issues



Addressing Material Issues

Home, where we spend much of our lives, greatly affects our happiness. In recent years, however, climate change and various other issues have been threatening this happiness.

As the foremost supplier of homes in the world, the Sekisui House Group believes it has a responsibility—and the capability—to make home the happiest place in the world. Sincerely committed to contributing to people’s happiness through our housing and businesses, we have established

“Make home the happiest place in the world”

as our global vision that will guide us into the future. We have identified five material issues for achieving our global vision. We will strive with resolve and pride to help bring happiness to people around the world.



Themes and KPIs for Addressing for Material Issues

Initiative for Addressing Material Issue	Theme	No.	KPI	Unit	FY2020		FY2021	FY2022	Note:	
					Targets	Results				
Lead the way to a decarbonized society	Decarbonization during occupancy	1	ZEH ratio for detached houses	%	88%	91%	89%	90%		
		2	Number of ZEH rental units per year	Units	1,200	2,976	1,800	2,500		
		3	Cumulative number of ZEH condominium units built	Units	32	32	196	540	Total units built	
		4	<i>Idocoro Dan-netsu</i> (location-based insulation upgrades)	Units	1,000	1,005	1,200	1,250		
		5	CO ₂ emission reduction rate for new housing	%	42%	54.7%	45% reduction by 2030		41.6% as of FY2019	
	Decarbonization of business operations	6	CO ₂ emissions reduction rate in business operations	%	29%	19.4%	50% reduction by 2030			
		7	RE100 progress rate	%	6%	16.4%	25%	35%		
	Decarbonization of the supply chain	8	Percentage of suppliers' who have set SBTs	%	—	18.6%	80% by 2030		New target	
Pursue the potential of the home	Pursue customer satisfaction	9	Housing customer satisfaction rate	%	95% or higher	96.1%	95% or higher	95% or higher	Questionnaire administered one year after taking occupancy	
	Offer technologies, lifestyle design and services*	10	Rental housing occupancy rate	%	95% or higher	97.7%	95% or higher	95% or higher		
		11	Offer new technologies, lifestyle design and services	—	—	Launch of <i>Ouchi-de-Sumai Zukuri</i> and SMART-ECS		—	—	New target
		12	Promotion of Platform House Concept to help customers achieve happiness in the era of the 100-year lifespan	—	—	Start of HED-Net pilot project		—	—	New target
Coexistence with local communities	Regional revitalization and social contribution activities	13	Promotion of Trip Base <i>Michi-no-Eki</i> Stations Project, a regional revitalization business	—	—	596 rooms in 8 facilities in 4 prefectures	1,053 rooms in 14 facilities in 5 prefectures	1,410 rooms in 18 facilities in 7 prefectures	Cumulative total open for business	
		14	Sekisui House Matching Program sign-up rate	%	30%	27%	30%	40%		
	Development of social assets	15	Detached housing residence evaluation	%	—	—	50% or higher		4★ or higher	
		16	Sha Maison Gardens	%	—	—	50% or higher		4★ or higher	
Concentrate diverse capabilities	Diversity and inclusion	17	Number of female directors	Persons	1 or more	1	3	3 or more	Non-consolidated	
		18	Number and ratio of female employees in managerial positions	Persons %	225 —	236 3.79%	240 —	260 —	Group total	
		19	Employment rate of persons with disabilities	%	2.61%	2.76%	2.61%	2.61%	Non-consolidated	
	Workstyle, health management, and occupational health and safety	20	Male employees' use of childcare leave	%	100%	100%	100%	100%	Non-consolidated	
		21	Average monthly work hours per person	Hours	—	176.71	176	175.5	New standard	
		22	Follow-up medical examination rate	%	—	87%	89%	90%		
		23	Frequency rate of accidents in construction departments resulting in lost worktime	—	2.63	2.17	2.15	2.13		
		24	CSR procurement/human rights/labor score	Points	—	90.1	90.4	90.9		
Embodiment integrity	Corporate governance	25	Ratio of independent outside directors	%	—	33.3%	40.0%	40% or higher		
	Increase integrity at business management level and strengthen Group governance systems	26	Increase integrity at business management level	—	Attendance by 50% or more of head office employees in positions of responsibility	97% (74 of 76 employees)	Attendance by 50% or more of Group officers and employees in positions of responsibility	Attended by all Group officers and employees in positions of responsibility		
		27	Governance strategy sheet initiatives	—	—	Led by the Chief Manager of the General Affairs Department, Sales Administration Headquarters of Sekisui House, Ltd. (total of 121 managers)	Led by general managers of Group companies (total of 223 managers)	Participation rate for governance sheet strategy initiative: 90%		
	Improve employee communication	28	ESG dialogue implementation	—	—	Employees in positions of responsibility at Sekisui House, Ltd.	Sekisui House employees and Group employees in positions of responsibility	Group employees		

* Technologies, lifestyle design and services offered are disclosed, and details and initiatives planned for the future are published in the *Sustainability Report*.

Management Resources



Ensuring healthy finances and investment (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 aim for a 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

0.42

Free cash flow

¥96.4 billion

Real estate investment

¥478.4 billion (29% progress) / **¥1,650.0 billion** (during Fifth Mid-Term Management Plan)

Interest-bearing debt

¥562.9 billion



Production/distribution bases (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 centers 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. In we are conducting capital investment in the urban redevelopment business.

Capital expenditure

¥96.6 billion

Domestic factories

5
(in Miyagi, Ibaraki, Shizuoka, Hyogo and Yamaguchi prefectures)

Distribution centers

40



R&D bases (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; the Human Life R&D Institute, Japan's first institute specializing in research into well-being and Sumufumulab, an open innovation space for co-creation of new housing culture with stakeholders. 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.

Research and development expenses

¥9.6 billion

Number of patents held

641

Number of design rights held

308

- Comprehensive Housing R&D Institute
- Human Life R&D Institute
- Sumufumulab



Diverse human resources
(human capital)

Based on our philosophy of “love for humanity” underlying our corporate philosophy, we have formulated and announced the Sekisui House Group Human Rights Policy and 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 qualification system. The sharing of information throughout the Group helps us to properly deploy these qualified personnel.

Consolidated employees

28,362

- Sales staff: 7,200
- Technical staff: 8,188

Authorized First-Class Architects

3,283

Chief Constructors*

150

Platinum Specialists*

43

Chief Architects*

262

Structural Planning Specialists*

149

CS Meisters*

84

Female Employees in Managerial Positions

236

Employment rate of persons with disabilities

2.76%

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



Customer base/ construction capabilities
(social/relationship capital)

A solid customer base built from the industry’s highest total number of dwellings built, together with the construction capabilities required to achieve it—these are 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 a spirit of “a community with a common destiny” that includes our partner building contractors.

Cumulative number of dwellings built

2.5 million

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

About **2,600** companies



Renewable energy/ resources
(natural capital)

We conduct sustainable CSR procurement. In addition to purchasing FairWood, 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 plan to employ 100% renewable energy for the electricity used in our business activities (RE100) by 2040 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, one of our facilities, the Resource Recycling Center, recycles 100% of the waste materials collected from our construction sites.

Sustainable wood procurement ratio

97%

- Sekisui House Owner Denki
- Resource Recycling Center

CO₂ emissions

135,000 t-CO₂

Waste emissions

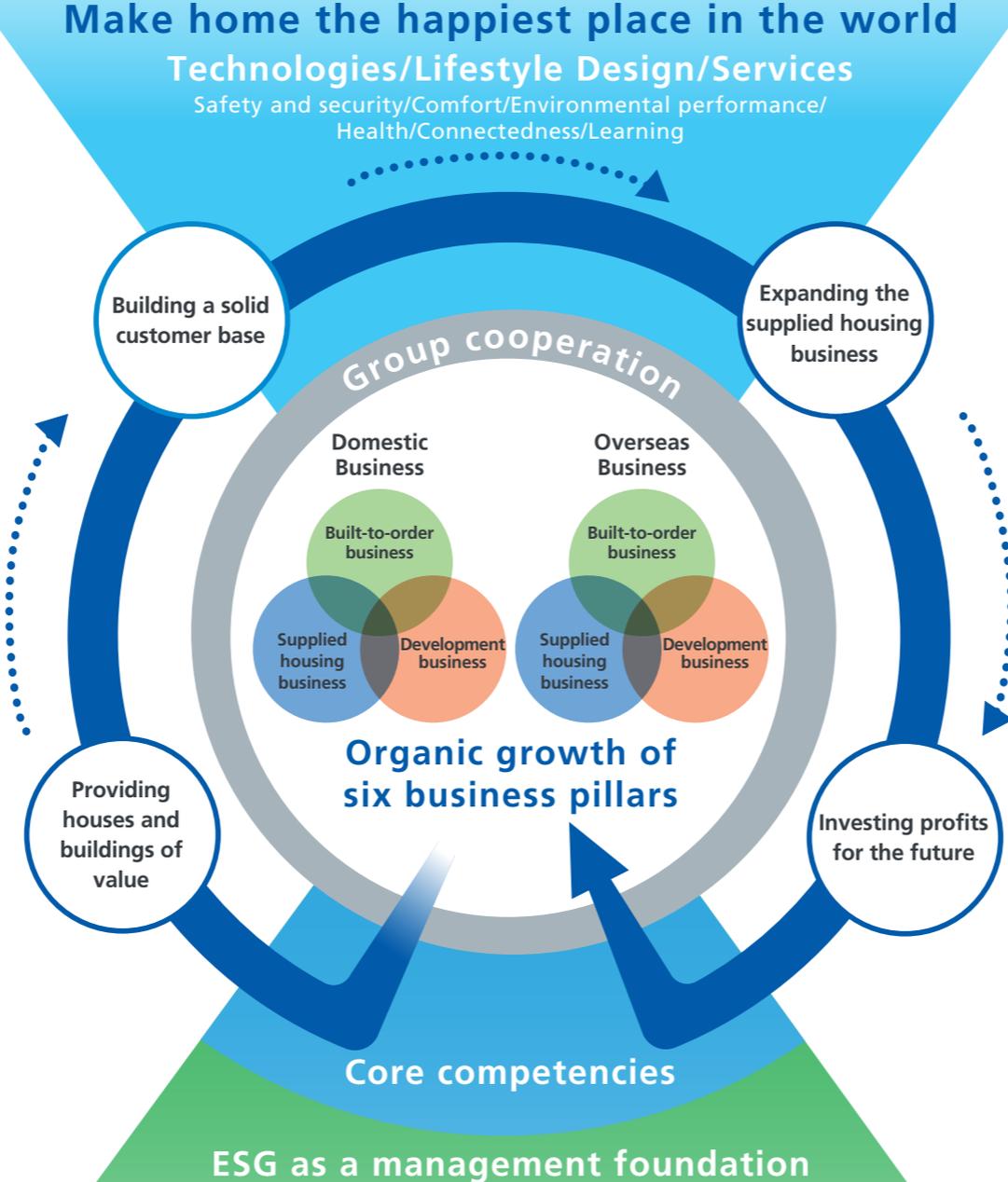
1,107,000 tons

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 built a solid customer base by providing quality houses and buildings of value. Next is the model of the supplied housing business—it draws on this customer base to conduct remodeling 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 community development. As we invest for the future, we are also establishing a sustainable value creation process. Going forward, we plan to establish the same three business models overseas through the 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, our domestic business has continued to grow by shifting from an approach that was heavily reliant on the built-to-order business to an optimally balanced business portfolio. Going forward, we will take steps to strengthen our three core businesses and drive overall growth. Among these, we will accelerate the growth of the supplied housing business, which leverages the high-quality housing stock we have accumulated, and raise the asset turnover ratio in the development business. In our overseas business, we will continue to grow steadily by expanding the built-to-order business and achieving a balance among the same three businesses as in our domestic operations. In Sekisui House’s third phase, we will also look to expand new businesses with the ultimate aim of using the organic growth of these six pillars of our operations to become a global company that offers integrated proposals of technologies, lifestyle design and services, based on the residential domain.

- Built-to-order business**
Build a solid customer base by providing quality houses and buildings of value
- Supplied housing business**
Draw on the customer base from the built-to-order business to conduct remodeling and other operations
- Development business**
Invest profits from the built-to-order and supplied housing businesses in high-quality urban redevelopment and community development

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.)

Maximizing Customer Value through Synergies from Cooperation within the Group



Construction Capabilities

- Sekiwa Construction companies, which are wholly owned subsidiaries of Sekisui House, use a design-build construction system without subcontractors
- 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 2.5 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



Advancing and Extending Our Core Competencies

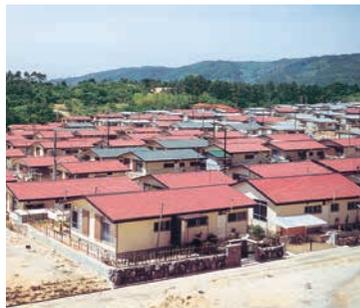


The History of Technologies That Utilize Our Core Competencies: Origins of Sekisui House's Advanced Technologies

Pre-engineered housing

Technology for consistent high-quality production

Founded in 1960, Sekisui House has been meeting demand since the dawn of pre-engineered housing. We took advantage of the unique features of pre-engineered items for stable, speedy production of high-quality products that enable reliable on-site construction in a short timeframe. Over a history of more than 60 years, we have remained consistently ahead of the times by refining our technologies to provide safe, comfortable housing that protects lives and property.



A concept of lifelong housing that combines safety, security and comfort

Although a *shaku* (30.3 centimeters) is the standard unit of measurement used in Japanese housing, Sekisui House adopted metric specifications soon after its founding. This gave rise to roomier, wider spaces that facilitate movement, for example when carrying large items. It also enabled installation of handrails in corridors and stairs in barrier-free remodeling. The idea of creating safe, comfortable living spaces is linked to the concept of universal design, which aims to create lifelong housing that are user-friendly—now and always—for everyone, regardless of age, physical strength or impairment.

1961

Debut of Airkis, our high-quality indoor air system

We believe that air quality in housing is just as important as water and food when choosing amenities. To ensure a high-quality indoor air environment, we developed Airkis, an original high-quality indoor air system that filters out chemical substances while providing ventilation and air purification. For formaldehyde, toluene and three other chemical substances subject to the Housing Quality Assurance Act of Japan,* we used children as the standard in setting concentration targets at 50% of the Ministry of Health's recommended concentration levels for indoor air, because children are most susceptible to negative impacts from these substances.

* A law that promotes quality assurance in housing

2011

Family Suite, an outcome of well-being research

In 2018, we opened the Human Life R&D Institute, which studies well-being in daily life in areas such as family bonding and quality of life. We were the first Japanese company to establish a research institute under the theme of well-being. Having conducted research and development in the domains of both technology and lifestyle design, Sekisui House deployed the results of its happiness research in new structural technologies to create Family Suite. This product broke away from the conventional living room, dining room and kitchen (LDK) configuration to offer an exciting new type of living space where all family members can spend time as they please.

2018

Sekisui House's commitment to integrating technologies with lifestyle design

2007

Realizing both earthquake resistance and peace of mind with SHEQAS

Our development of hybrid SHEQAS technology, which combines a steel-frame load-bearing wall with our original SHEQAS-Frame seismic-control wall, enabled a reduction in the number of walls while maintaining seismic control performance, thus substantially increasing freedom in design. Large windows, doors, and pilotis (columns that create space under the eaves as they are beyond the perimeter of the exterior walls) pleasingly connect outdoor and indoor space and give the exterior a dynamic appearance. Residents can enjoy the nature outside while spending time in a bright, open space. By offering the high level of seismic control that is essential in Japan, where earthquakes are frequent, this product offers both peace of mind and relaxed, comfortable living.

2017

Meeting diverse architectural needs with the Flexible B System

One feature of our B system construction method, the world's first heavy-gauge steel rigid frame structure for pre-engineered housing, is the ability to position columns at will, providing a high level of freedom in room layout and window placement. In addition, the use of WH Columns with strength 2.5 times that of rigid columns and high-strength WH Beams enables larger doors and windows and pillar-free open spaces with spans up to nine meters. We use the significantly enhanced design freedom of the Flexible B System to meet diverse architectural needs in applications from detached rental housing to complexes that incorporate housing, stores and offices, housing for the elderly, nursery schools, hospitals, hotels and public facilities.

2020

HED-Net in-home early detection network for acute illness

Each year, about 290,000 people have strokes in Japan, 79% of which occur in the home, with an estimated 15,000 dying at home due to a delay in discovery. Including other illnesses and accidents, deaths at home number about 70,000 per year. Early in-home detection to ensure prompt treatment is a social issue for Sekisui House to address. We have focused on this issue with partner companies and universities to create HED-Net, the world's first in-home early detection network for a rapid response to acute illnesses.

Integrating technologies, lifestyle design and services

Feature: Value Creation Story

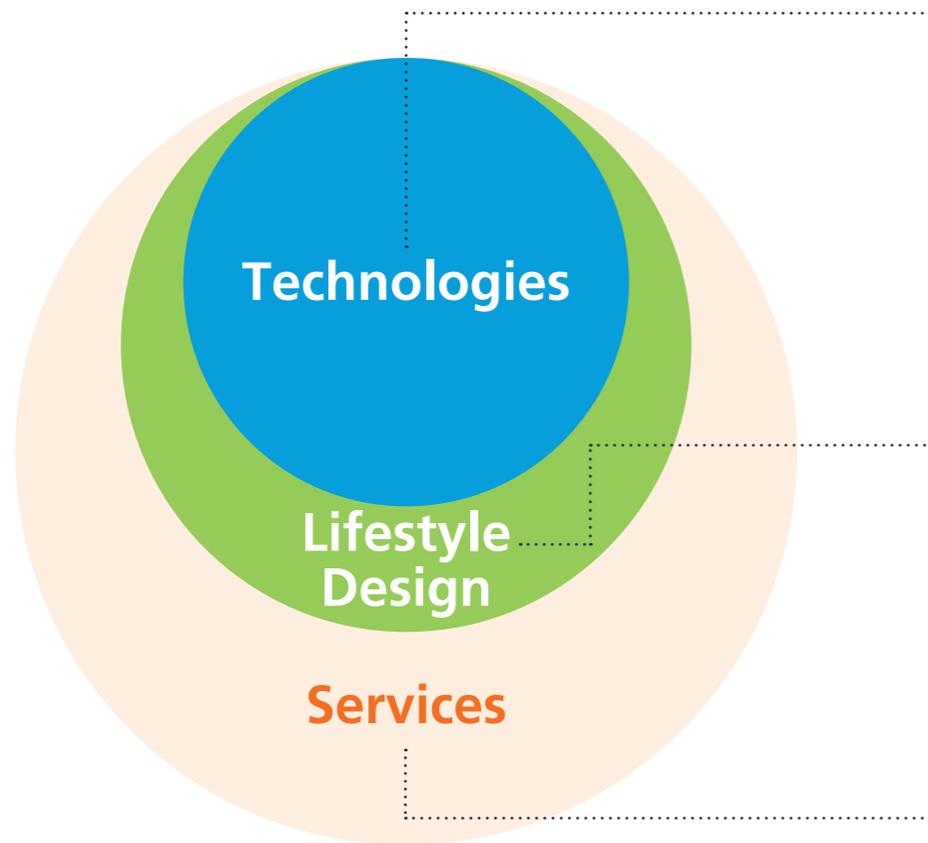
Integrating Technologies, Lifestyle Design and Services

Sekisui House's Initiatives to Provide
New Value by Combining Technologies,
Lifestyle Design and Services



Sekisui House's Approach to Integrating Technologies, Lifestyle Design and Services

Sekisui House does more than simply provide the buildings and technologies that protect residents' lives and property, which has been our mission since day one. By enhancing and evolving lifestyle design proposals and our services, we aim to provide customers with the value of happiness.



Seeking out technologies for happiness that ensure comfortable living with peace of mind—now and always

We mainly conduct our research at the Comprehensive Housing R&D Institute, the world's largest research facility for housing, which we opened in 1990. Through activities including verification and evaluation of basic housing performance and research in universal design and environmental technologies, we strive to develop technologies for happiness that enable people to live safe comfortable lives with peace of mind—now and always.



Earthquake resistance, seismic control and other technologies for safety



Universal design and other technologies for peace of mind



Thermal environment and other technologies for comfort



Indoor air environment and other technologies for health

A scientific and theoretical approach to the pursuit of well-being

To incorporate lifestyle design into our research and development, in 2018 we opened the Human Life R&D Institute, Japan's first corporate institute specializing in the well-being of residents. Under the theme of "houses where happiness grows the longer you live there," we scientifically and theoretically elucidate our expertise in happy living for specific new lifestyle proposals. These measures imbue our houses with family bonding, quality of life and fun.

Human Life R&D Institute

住めば住むほど幸せ 住まい

Main Research Topics to Date

Happy housework design/Kids (childcare, growing up)
Storage space/Dining space/Sleep/Pets/How time is spent at home

Houses that foster intangible assets by helping residents achieve happiness in the era of the 100-year lifespan

As we enter the era of the 100-year lifespan, we expect an increasing emphasis not only on tangible assets such as land and buildings, but also on intangible assets such as family health, skills and knowledge. We are broadening our business domains to include lifestyle services for residents under the themes of health, connectedness and learning that originate in the home. Sekisui House will promote the Platform House Concept to provide homes that collect data on residents using state-of-the-art technology in order to continue fostering these intangible assets.



Integrating Technologies and Lifestyle Design – Family Suite –

**Technologies
Premised on
Lifestyle Design
Proposals**



Family Suite

The industry's strongest frame technology enables proposals for appealing spaces

The large living rooms of Family Suite break away from the conventional LDK configuration to flexibly respond to the diverse lifestyles of each family. This is made possible by our Dynamic Beam, which provides support for large pillar-free spaces with a span of up to seven meters. This high-strength beam is the best in the industry, with a strength about 10 times that of our standard beams.* We create happy homes by combining our constantly evolving high-strength beams, high-performance thermal insulation and other advanced technologies with lifestyle design proposals tailored to residents.



Dynamic Beam K

* Comparison of second moment of area (resistance to bending) with a standard beam



**Lifestyle Design
Proposals Enabled
by Family Suite**



A sunken living room offers various ways to relax

The sunken living room creates a relaxing atmosphere in a spacious single room. In this layout, families can gather naturally, each spending time by stretching out on the floor, sitting on the ledge, or however they please.



Creating a study space where the user still feels the presence of other family members

By setting up a dedicated study area near the family's gathering space, children can concentrate on their studies with peace of mind. It will also help avoid the scattering of schoolbooks and study materials in the living room. This proposal was developed through research into childrearing.



A room for telework that helps get the job done

The spread of working at home has increased the importance of expanding the role of a house from a place to live in to include a place to work. Creating a semi-independent environment where it is easy to concentrate near the space where the family gathers lets the user switch between work and family life.



Separated kitchen for easy use by one or all

Separating the sink and cooking stove and positioning them back-to-back makes it easier for several family members to work in the kitchen at the same time and efficiently share tasks. This configuration also fosters the habit of cleaning up together after meals. We propose a design that gives rise to communication while doing household chores.

Integrating Technologies and Lifestyle Design

– The “7 Stories” Lifestyle Model House for Various Family Compositions and Values –



In September 2020, seven lifestage-themed model houses were completed at our *Kanto Sumai no Yume Kojo* housing theme park. They offer detailed depictions of seven different life stages, reflecting diverse values, for generations ranging from millennials to active seniors. The theme park conveys the fun and creativity of home life through hands-on experience of proposals for happy living from the Human Life R&D Institute.

Childrearing family home

The Kobayashi residence

A new house built by a double-income couple raising children in Wakabadai, Inagi City, near central Tokyo.

A home for comfortable and happy living, with features ranging from a large living room where children can play freely to a workspace that supports various workstyles.



Active seniors' home

The Yamamoto residence

Mr. and Mrs. Yamamoto just started their post-retirement life in Hachioji, Tokyo.

A one-story house for enjoying pastimes while spending time alone or together. There are also features to make the home cat friendly.



A home with a Japanese sensibility

The Gabriel residence

A house built by Mr. Gabriel from the U.K., who is doing research on Japanese literature at a university, and his Japanese wife, a translator. Their children are grown up and have left home.

This house was designed with features that provide a mix of Japanese and British culture.



A home for living amid greenery

The Mori residence

A three-story steel-frame structure designed to fit on a narrow lot. This nature-loving husband and wife are strong adherents to organic gardening and preserving the environment. They live with their children, surrounded by an environment designed to put them in close touch with nature and greenery.



A music-lovers' home

The Naito residence

A new house built by a music-loving couple for raising their children. On weekends, the family enjoys playing music together in their music room.



A home for a three-generation, outdoor-loving family

The Toyama residence

A two-family house occupied by a family of three generations linked by a common interest in the outdoors. Members of all generations gather on the terrace on weekends to enjoy barbecues.



A home for living amid art

The Saimon residence

A home and guesthouse that also serves as an art gallery, built by a couple who run an art gallery in Tokyo. Time unfolds at a leisurely pace as they view their home art collection.



For details, please see:
<https://www.sekisuihouse.co.jp/kodate/yumekojo/kanto/>
 (Japanese only)



Services **Our Platform House Concept: Emblematic of Our Evolving Business Model** “Building houses that help residents achieve happiness in the era of the 100-year lifespan”

Sekisui House’s Platform House Concept entails creating new houses that play a role in helping residents achieve happiness in the era of the 100-year lifespan. We will do this by expanding the Company’s business from the residential domain to include lifestyle services, based on a vision to make home the happiest place in the world.

In Platform Houses, we will be able to incorporate services related to “health,” “connectedness” and “learning.” We will then tailor the services we provide to each resident based on the daily resident data that we collect.



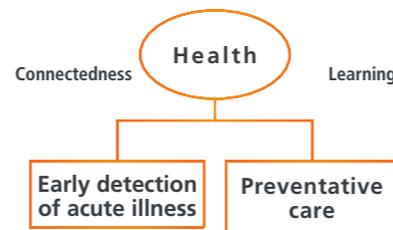
Providing Services That Factor in Health

Sekisui House provides new value through homes that support health. We do this by classifying health conditions from the perspectives of early detection of acute illness and preventative care, and developing services tailored to each.

We have created HED-Net, an in-home early detection network for acute illnesses.

Contact-less sensors installed in the home detect and analyze the heartbeat and respiration of residents during everyday living, taking into account normal activities such as turning over while sleeping or

Houses That Support Health



moving from room to room. If an abnormality is detected, the system alerts an emergency call center, which confirms the resident’s health status. If necessary, the dispatch of an ambulance is requested and the front door is remotely unlocked and locked. This is the world’s first program to integrate all these steps.

Going forward, we will utilize residents’ vital data that can be readily collected for families to develop services including early detection of and preventative care for acute illnesses that are likely to occur.

Utilizing Advanced Technologies and Open Innovation

HED-Net brings together an engineering perspective that encompasses sensor technology, a medical perspective and the specialized perspectives of Sekisui House and each of its partner companies in a collaborative industry-academia structure for open innovation, in which numerous companies from different industries and partners from academia jointly develop advanced technology, centered on housing. We will continue working with partner companies and specialist human resources to develop services.



World’s First In-Home Early Detection Network HED-Net



Start of a Pilot Project with Customer Participation

In December 2020, we started a pilot project to install HED-Net in new custom-built houses of customers who wish to participate. We are operating biosensors in various real-life conditions to begin verifying data acquisition, the accuracy of the decision-making program, system operation and other factors. We will also verify whether HED-Net operates normally without a significant impact from factors such as floor layout and facilities. This project will be a milestone in our progress toward practical application, and we will continue making various improvements to accuracy and responsiveness.



Fifth Mid-Term Management Plan

Overview of the Mid-Term Management Plan

FY2020-FY2022

Fifth Mid-Term Management Plan

Management Direction	Deployment of growth strategies focused on the residential business domain
Fundamental Policy	Further strengthening core businesses and embarking on new businesses

Main Management Indicators (Billions of yen)

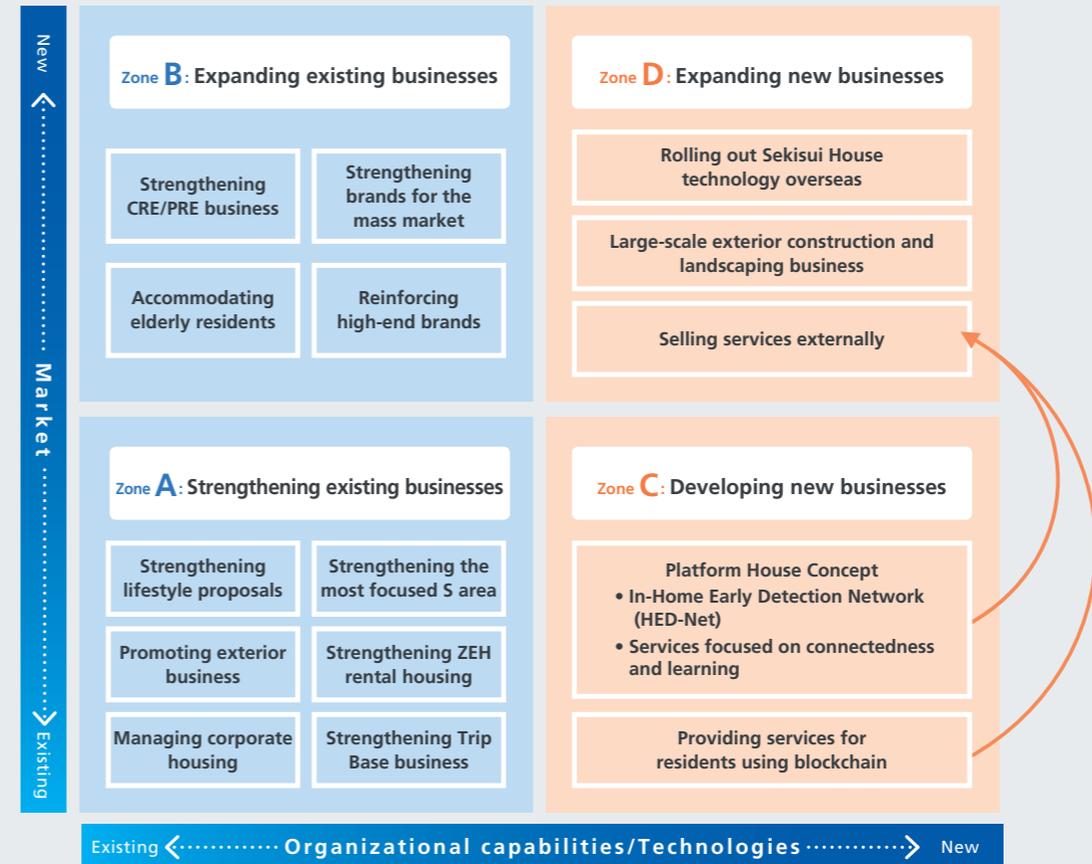
	2020 (Plan)*	2020 (Results)	2021 (Plan)*	2022 (Plan)
Net sales	2,415.0	2,446.9	2,552.0	2,700.0
Operating income	175.0	186.5	200.0	220.0
Ordinary income	172.5	184.6	200.0	219.0
Profit attributable to owners of parent	114.0	123.5	135.0	147.0
EPS	¥167.22	¥181.18	¥200.62	¥217.31
ROE	8.9%	9.5%	10.0%	Generate a stable ROE of at least 10%

Achieve record-high income in FY2022

* Figures are the most recent revised values based on the business environment and progress since the Fifth Mid-Term Management Plan was announced.

We have formulated our Fifth Mid-Term Management Plan for the three years from FY2020 to FY2022 to help realize our global vision to “make home the happiest place in the world.” We are working to implement growth strategies with a fundamental policy of further strengthening core businesses and embarking on new businesses. By honing our sensitivity and adaptability to market needs, we will further strengthen our current core businesses as we develop new business by promoting the Platform House

Further Strengthening Core Businesses and Embarking on New Businesses



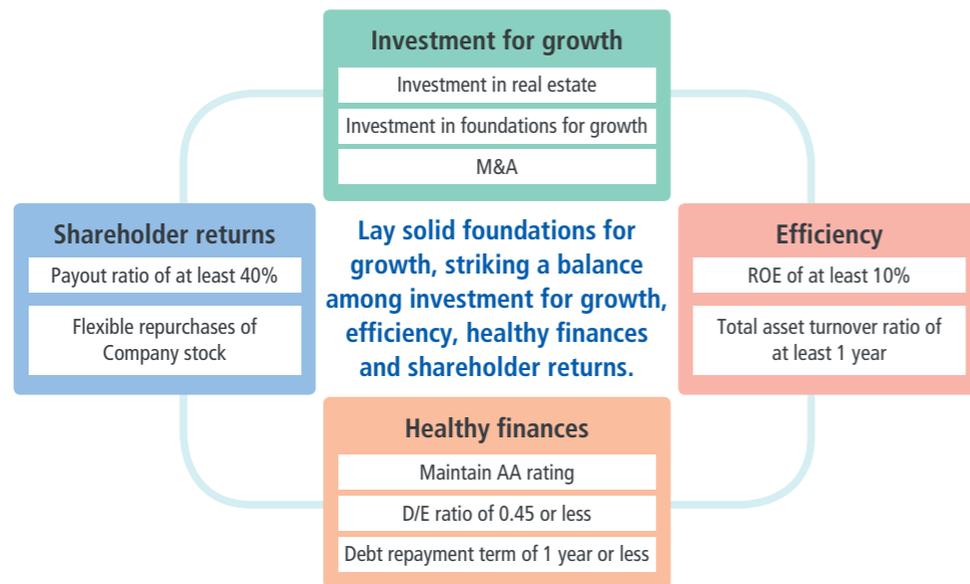
Concept of equipping houses with services supporting the “health,” “connectedness” and “learning” that will underpin new lifestyles, as well as initiatives such as utilizing the Internet of Things (IoT).

We will also invest in the expansion of new businesses, including an overseas rollout of the Sekisui House technologies we have been cultivating, and work for sustainable growth by strengthening our foundation through open innovation and other measures.

Financial Strategies

We have positioned the three years of the Fifth Mid-Term Management Plan as a period for establishing a strong financial position to support sustainable growth. While continuing to emphasize a balance among investment for growth, healthy finances (credit rating) and shareholder returns as in the Fourth Mid-Term Management Plan, we view the Fifth Mid-Term Management Plan as a stage for further enhancing each of these aspects. We will fulfill our responsibilities to customers, shareholders and society by investing in strengthening our business foundation, including R&D and human resource development, and by establishing a strong financial position.

- 1 Lay growth foundations with eye on Third-phase Management Vision and where the Group should be in 10 years
- 2 Build a strong financial position to respond flexibly and agilely to growth opportunities
- 3 Promote investment for growth and strengthen shareholder returns for sustainable improvement in corporate value



Contributing to a Decarbonized Society

To contribute to a decarbonized society, we promote ZEH and ZEB* to reduce CO₂ emissions from houses and other buildings during occupancy or use, which accounts for the largest proportion of CO₂ emissions from our business overall. In addition, through energy saving, the use of renewable energy in our business activities, and other measures, we promote the reduction of CO₂ emissions throughout our value chain. We are working toward the realization of a decarbonized society by 2050, with the aim of becoming a global leader in ESG.

* Housing (ZEH) and buildings (ZEB) that are designed to achieve net zero annual primary energy consumption while providing a comfortable indoor environment through energy saving and power generation.

- 1 Strengthen and expand net zero energy house (ZEH) 
- 2 Promote RE100 through Sekisui House Owner Denki 
- 3 Be a global ESG leader 

Improvement of Value in Society and Personnel Strategies

Based on the idea that the proactive involvement of each employee creates a vibrant organization, our personnel strategies create a work environment that incorporates true diversity throughout. We will be more than just a group of organizations that provides a rapid and well-balanced response to ESG issues, as expected by society. We will also deeply instill ESG management and SDG measures to further evolve into a robust organization that views social issues as growth opportunities.

- 1 Build a pipeline of human resources to strategically develop into next-generation managers and leaders
- 2 Strengthen recruitment ability and secure a range of talent for new business domains
- 3 Promote diversity – Create workplaces that demonstrate the power of diversity
- 4 Implement workstyle reforms – Increase growth generated by intangible assets
- 5 Tackle social issues – Help create a society that delivers maximum value to customers and help achieve the SDGs

Sales Strategies Using Digital Transformation (DX)

At Sekisui House, the safety of our customers, suppliers and employees is paramount. We are continuing to take necessary measures and steps to prevent the spread of COVID-19.

We avoid visiting customers' homes and other locations, instead deploying new promotion methods using web conferencing systems and other media to enhance customer proposals and implement plans. For example, the online services *Ouchi-de-Sumai Zukuri* (Housebuilding from Home) and *Ouchi-de-Remodeling* (Remodeling from Home) allow customers to consult about housebuilding from home, without the need for a face-to-face meeting with our employees. In addition to an exhibit of our latest houses and an introduction of examples of customer homes and residential lots for sale through an online tour, customers can use a VRscope®* viewer to experience our proposed plans in a three-dimensional space with a 360-degree view in the comfort of their own homes. We also send customers a kit containing a textbook on the basics of housebuilding and other materials so they can get a better picture of the specifics involved.

These products and services had already been launched before the COVID-19 pandemic, in order to improve customer convenience, so their expanded rollout has progressed smoothly, and they have received a positive response from customers. We will continue to broaden the scope of their use as an initiative for the new normal.

* Virtual reality. VRscope® is a registered trademark of Toppan Printing Co., Ltd.



Expanding Housing Features That Anticipate Change

▶ Proposals Suited to New Lifestyles

The increase in time spent at home is attracting attention. For richer, more comfortable lifestyles during and after the COVID-19 pandemic, we have launched Family Suite *Ouchi Premium*, which incorporates the results of the Human Life R&D Institute's research into our Family Suite large-scale, partition-free living spaces. Family Suite *Ouchi Premium* features versatile layouts that can be customized according to changes in family composition and the environment, for example, to meet the needs of millennials for uniquely personalized lifestyles. This product offers a premium lifestyle where residents can engage in telework or enjoy activities such as *Ouchi-de-Fitness* (At-home Fitness) and *Uchi-de-Bar* (Home Bar) that they previously only took part in away from home.

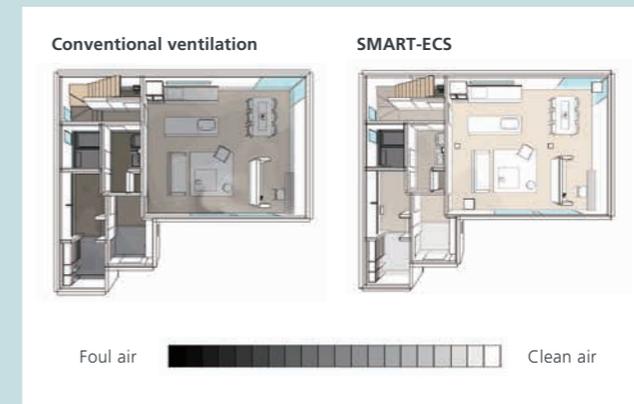
▶ SMART-ECS Next-Generation Indoor Environment System

→ See page 44 for details.

Due to the growing importance of addressing new lifestyles through housing, we launched SMART-ECS, a next-generation indoor environment system that supports the health of families in their home. The system features a heat exchange ventilation system that recovers heat from exhaust air, reducing heat loss from open windows by approximately 80%. The result is ventilation that maintains comfort and saves energy. A ceiling-mounted air purifier with a deodorizing filter for absorbing odors and formaldehyde removes pollen and minute particles from the air about two to five times faster than a 24-hour ventilation system alone.* A unique system that integrates ventilation, air purification and ventilation zoning, SMART-ECS creates comfortable living spaces with clean air flow.



Verification of SMART-ECS's effectiveness



* This test does not constitute a guarantee of SMART-ECS's air purification performance.

Key Measures

Built-to-Order Business	<ul style="list-style-type: none"> • Implement three brand strategies • Promote focused S and A* area marketing 	Development Business	<ul style="list-style-type: none"> • Pursue ROA management • Generate stable profit by improving turnover and acquiring prime land
Supplied Housing Business	<ul style="list-style-type: none"> • Actively deploy proposal-based and environment-based remodeling • Strengthen rental housing management and brokerage business through change in company name to “Sekisui House Real Estate” 	Overseas Business	<ul style="list-style-type: none"> • Start the global rollout of Sekisui House technologies and advance to the next stage

* Areas in cities that the Company classifies as strategic locations for business development

Progress by Business

Built-to-Order Business

The profit margin improved due to high-value-added proposals and other factors, and operating income exceeded the plan. In the custom detached houses business, orders received in the second half increased 8.9% compared with the same period a year earlier due to factors including sales activities and product proposals that reflected the new normal brought about by COVID-19. In the rental housing business, orders for Sha Maison rental housing are on the rise. Konoike Construction, which became a consolidated subsidiary on October 1, 2019, contributed to sales in the architectural/civil engineering business.

Supplied Housing Business

In the remodeling business, sales declined but profitability continued to improve due to ongoing promotion of proposal-based remodeling to accommodate new lifestyles. Orders decreased overall as staff refrained from sales activities such as home visits due to the COVID-19 pandemic, but orders received in the second half increased 8.2% compared with the same period a year earlier due to the gradual relaxation of restrictions on sales activities. The real estate management fees business has performed steadily, with high occupancy rates maintained due to the area marketing strategy.

Development Business

The houses for sale business recovered from the second half of the year, supported by solid demand, and orders received increased 1.4% year-on-year. The condominiums business completed closings for all units at large-scale projects in Tokyo and Osaka. The urban redevelopment business sold properties as planned. To a limited extent, hotel revenues were affected by a decline in domestic and international travelers due to the impact of the COVID-19 pandemic.

Overseas Business

In the United States, the multifamily business sold three projects and the homebuilding business and master-planned community business performed strongly, exceeding the revised plan. In China, condominium sales were strong, and the investment balance decreased by half from the end of the previous fiscal year.

Other

The exterior business worked to enhance integrated proposals for houses and exterior construction works. It also proactively made proposals for unique gardens and exterior construction works for custom detached houses, rental houses and condominiums. Efforts to strengthen this business included forming capital and business alliances with landscaping companies.

Healthy Finances

Establish a strong financial foundation to support sustainable growth

- Prepare for risks by building a financial base that can flexibly respond to market changes
- Secure investment capacity for agile response to opportunities to invest for growth

Both our debt/equity (D/E) ratio and our debt repayment term (net debt/EBITDA) reached target levels as of January 31, 2021. The health of our finances has steadily improved, and we have secured the investment and financing capacity to make large-scale growth investments in real estate, M&A and other areas. Even during the COVID-19 pandemic, we have steadily maintained an AA credit rating from two domestic rating agencies. We will continue to closely monitor the impact of growth investment on our cash flow as we flexibly raise funds backed by our high creditworthiness.

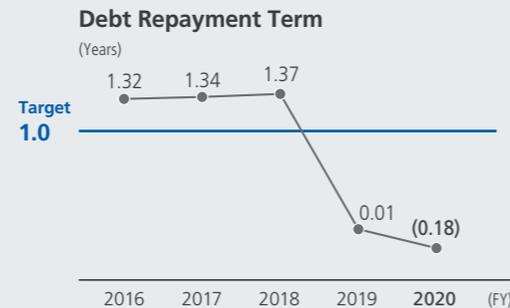
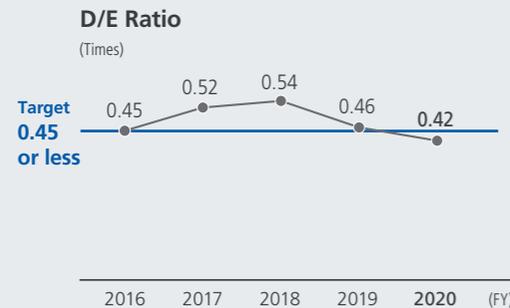
Maintain AA Ratings* as a Measure of Strong Health

D/E ratio of 0.45 or less

Debt repayment term (Net debt/EBITDA) of 1 year or less

* Ratings for Sekisui House
Japan Credit Rating Agency (JCR) **AA**
<https://www.jcr.co.jp/en/>

Rating and Investment Information, Inc. (R&I) **AA-**
<https://www.r-i.co.jp/en/docs/company/profile.html>



Growth Investment

Promote investment for sustainable growth and seek to improve efficiency

- Make investments in foundation for growth from a medium-to-long-term perspective in addition to investments in the growing real estate sector
- Focus on improving asset efficiency in asset-type businesses
- Actively consider M&A when strengthening core businesses or when embarking on new businesses

We are making steady progress in proactive purchases for investment in the growing real estate sector with an emphasis on asset efficiency (turnover ratio). In addition to setting and verifying the hurdle rate (the minimum acceptable internal rate of return) based on the cost of capital as a standard for investment decisions, we set ROA targets for each segment in the development and overseas businesses to improve asset efficiency. Investments in our foundation for growth have been set at the ¥200 billion level. Of this, proactive investments in areas such as production equipment, IT, research and development, and the securing and development of human resources, which are expected to total about ¥100 billion, are proceeding steadily. In new business and M&A, although large-scale investments in the first year of our plan were not executed, we continue to investigate various possibilities in Japan and overseas.

Investment in Real Estate

	(Billions of yen)		
	Domestic businesses	Overseas businesses	Total
Investment	680.0 (631.9)	970.0 (874.9)	1,650.0 (1,506.8)
Recovery	680.0 (810.1)	1,120.0 (975.3)	1,800.0 (1,785.4)
Net investment	0 (-178.2)	-150.0 (-100.4)	-150.0 (-278.6)

Note: Figures in parentheses indicate actual results under the Fourth Mid-Term Management Plan

Planned Foundation for Growth

Improvement of productivity	R&D
Investment to secure and develop human resources	New business and M&A

Over three years

¥200 billion level

Domestic

Three-year plan

680.0

FY2020 (Result)

79.4 69.8 93.2 **242.5** 35.7% progress

■ Houses for sale ■ Condominiums ■ Urban redevelopment

Overseas

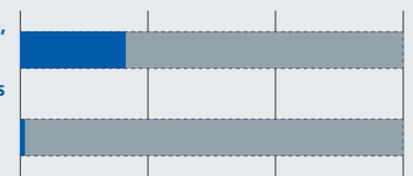
Three-year plan

970.0

FY2020 (Result)

235.9 24.3% progress

Investment in production, R&D, and securing and developing human resources
Investment in new business and M&A



¥100 billion

Efficiency

Generate stable ROE that exceeds the cost of equity

- Generate stable ROE of at least 10%, exceeding the cost of shareholders' equity (recognized at approx. 6%)
- Improve ROE through improvement in profit margin and turnover

ROE for fiscal 2020 was 9.5% due to a decrease in profit. It fell short of our target of 10%, but we are aiming for a rapid recovery.

For cross-shareholdings, we are confirming the appropriate amount with respect to our balance sheet while working on a phased reduction. In fiscal 2020, we sold all our shares in eight stocks and a portion of our shares in one other stock. We will continue working to improve our balance sheet.

ROE Calculation Method and Breakdown

	ROE =	Profit margin	×	Total asset turnover ratio	×	Financial leverage
Fourth Mid-Term Management Plan (Final FY result)	11.5%	5.8%		0.96 times		2.06
Fifth Mid-Term Management Plan (Target)	At least 10%	At least 5%		At least 1 time		Approx. 2
Target level		At least 6%		At least 1.2 times		Approx. 2

ROE



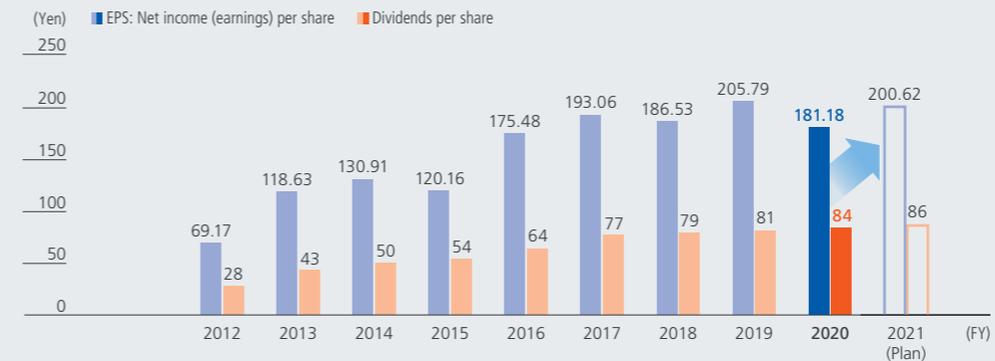
Shareholder Returns

Aim for steady dividend growth through sustainable growth in earnings per share (EPS)

- Target an average payout ratio of 40% or more over the medium term. Aim for continuous dividend growth
- Work to improve shareholder value through flexible share repurchases

For returns to shareholders in fiscal 2020, we paid dividends of ¥84 per share and repurchased our own stock in the amount of about ¥5 billion (approximately 2.78 million shares). Although the increase was less than initially planned, we continued to increase dividends, and are planning another increase to ¥86 per share for fiscal 2021. We also plan to repurchase up to ¥15 billion worth of our own shares (a maximum of 8 million shares). Continuous dividend growth remains our aim, and we will work to improve shareholder value through flexible share repurchases.

EPS and Dividends per Share

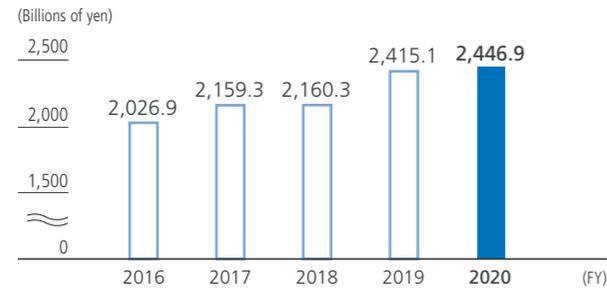


	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 (Plan)
EPS: Net income (earnings) per share (Yen)	69.17	118.63	130.91	120.16	175.48	193.06	186.53	205.79	181.18	200.62
Dividends per share (Yen)	28	43	50	54	64	77	79	81	84	86
Dividend payout ratio (%)	40.5	36.2	38.2	44.9	36.5	39.9	42.4	39.4	46.4	42.9

Financial and Non-Financial Highlights (Consolidated)

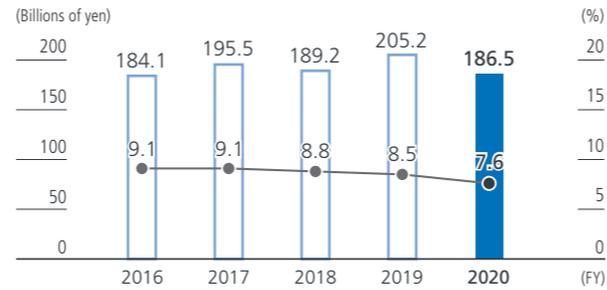
Net Sales

¥2,446.9 billion



Operating Income and Operating Margin

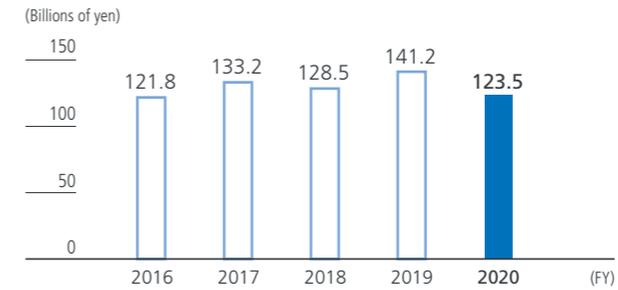
¥186.5 billion / 7.6%



■ Operating income (Left scale) ● Operating margin (Right scale)

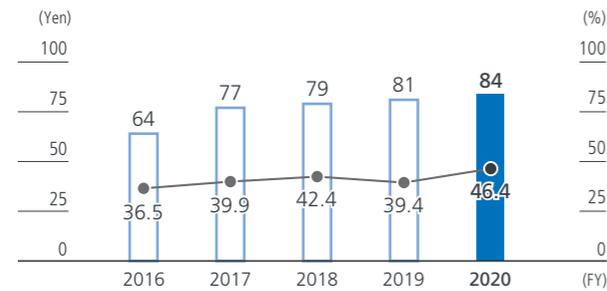
Profit Attributable to Owners of Parent

¥123.5 billion



Dividends per Share and Dividend Payout Ratio

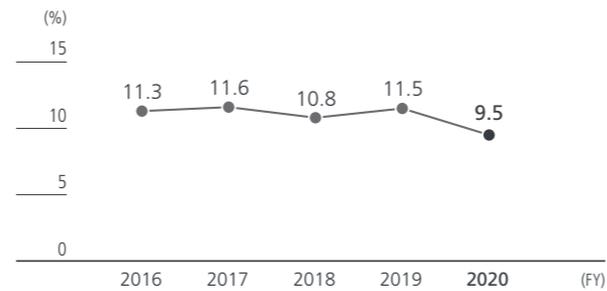
¥84 / 46.4%



■ Dividends per share (Left scale) ● Dividend payout ratio (Right scale)

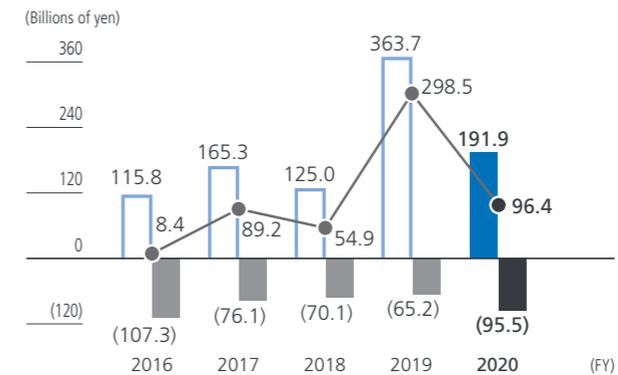
Return on Equity

9.5%



Free Cash Flow

¥96.4 billion

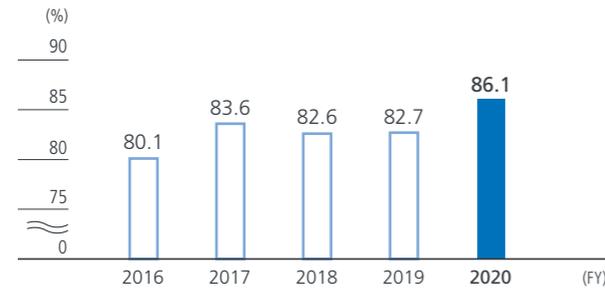


■ Cash flows from operating activities ■ Cash flows from investing activities ● Free cash flow

Financial and Non-Financial Highlights (Consolidated)

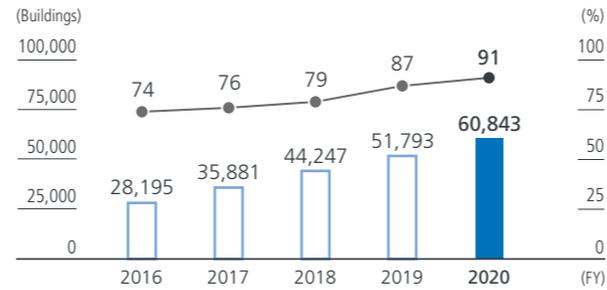
Detached House CO₂ Emission Reduction Rate (Compared with FY1990)

86.1%



Green First Zero (ZEH) Progress

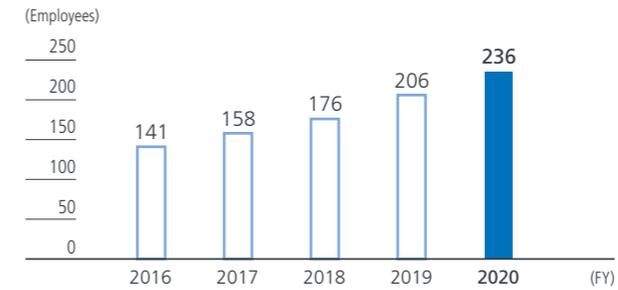
60,843 Buildings / 91% of Newly Built Houses Target: 90%



■ Number of Green First Zero (ZEH) buildings (Cumulative) (Left scale)
● Share of newly built houses (Right scale)

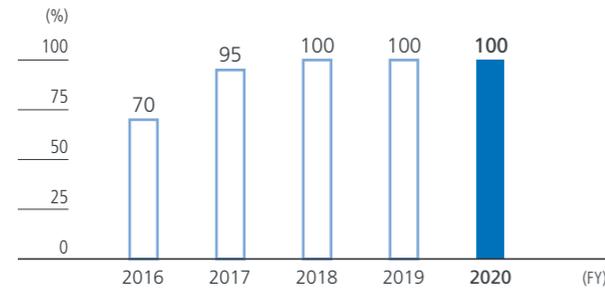
Number of Female Employees in Managerial Positions

236 Target: 260 by FY2022



Male Employee Use of Childcare Leave*

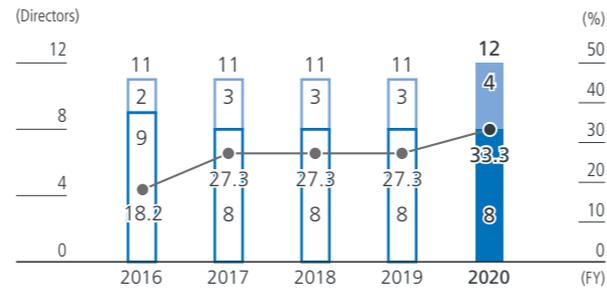
100%



* Number of employees using the program ÷ Number of births. In FY2018, the number of employees using the program exceeded the number of births, resulting in the usage figure of 100%.

Ratio of Outside Directors

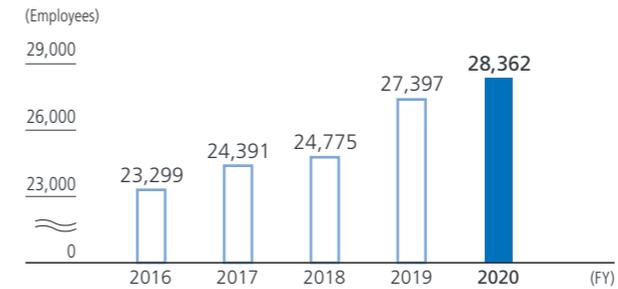
33.3%



■ Directors ■ Outside directors (Left scale) ● Ratio of outside directors (Right scale)

Number of Employees (Consolidated)

28,362



Understanding Sekisui House through Its Value Chain

The Uniqueness of Sekisui House

Through housing, we provide the intangible asset of happiness extending over many years. In the process, we organically bring together our diverse capabilities to create customer value and new technologies and services. Following is an introduction to the unique strengths of Sekisui House from a variety of perspectives.

The philosophy of Sekisui House since its founding has been love of humanity, and practicing this philosophy is the code of conduct of our employees. It drives our corporate development for the continuing happiness not just of our customers, but of everyone involved in creating housing.

Based on this stance, the Sekisui House Group has been working to maximize the tangible and intangible value it can offer customers to make the home the happiest place in the world. In other words, we are making advances in the tangible elements of basic performance and environmental technologies that are essential for homes and combining them with the intangible elements of research and proposals for new ways of living. In this way, we are helping to create happy homes.

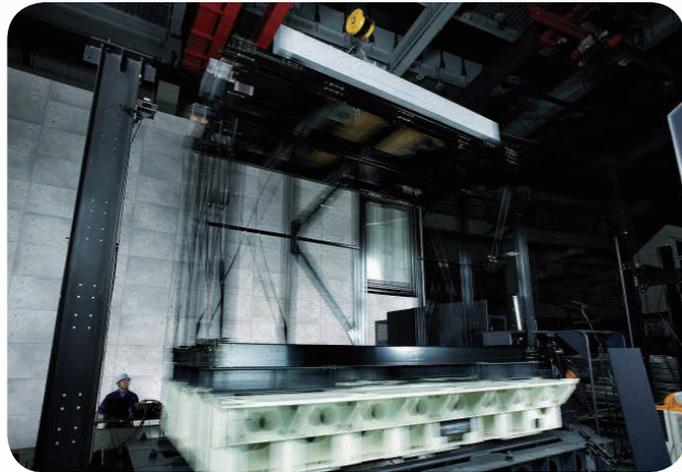
To implement this unique strategy of combining tangible and intangible elements, each individual division has responsibility for the value chain, from research and development to product development, design and technologies, sales, procurement, production, construction and customer service. The active exchange of information and knowledge accumulated by divisions in this value chain leads to value creation. Our structure for sharing information and knowledge across organizational boundaries enables us to coordinate our actions when we discover a business area where we can provide solutions or when a customer or business partner consults with us on an important business opportunity. In short, the ability of the Sekisui House Group to bring together its diverse capabilities and share information is a rich source of innovation.

Sekisui House's unique advantages can be understood through a look at its value chain, which has been generating synergies across divisions to create happy homes.

The Sekisui House Value Chain



Research & Development



Since its founding, Sekisui House has kept its finger on the pulse of people’s daily lives and remained attuned to changing lifestyles and diversifying values in order to create the homes of the future. Our ability to offer proposals that integrate technologies and lifestyle design under the theme of “houses where happiness grows the longer you live there” gives us a unique advantage.

We aim to create lasting happiness for residents

Sekisui House’s R&D into residential housing began from a desire to provide houses where people can continue to live for many years. This has entailed more than just home safety and security in areas such as fireproofing and the earthquake and wind resistance that are characteristic of housing in Japan, where natural disasters are frequent. We also have a history of conducting research into technology and lifestyle design, based on the slogan “comfortable living—now and always,” for all household members.

Sekisui House was early to incorporate the intangible element of people’s lifestyles into its R&D. We opened the Human Life R&D

Institute in 2018, becoming the first home builder in Japan to study the well-being of residents. Under the theme of “houses where happiness grows the longer you live there,” we aim to infuse homes with the happiness of family bonds, quality of life and enjoyment. This strand of R&D is made possible by our vast, industry-leading volume of data and our knowhow developed from relationships with customers in more than 2.5 million households. We believe that this unique strength will drive our future business.

The tenacity to test until we are satisfied makes us strong

Sekisui House technicians have been instilled with a commitment to a hands-on approach of conducting tests and demonstrations and verifying them directly until the technicians are satisfied. In this regard, Sekisui House has set its own strict standards for the durability of its houses based not only on results using testing equipment, but also on exposure data in actual external environments measured throughout Japan and survey results from reconstructed buildings. In addition, the launches of our SHEQAS seismic control system and

Airkis high-quality indoor air system followed more than a decade of research that included testing in full-scale mock-up houses.

Moreover, in addition to conducting testing and verification at our Comprehensive Housing R&D Institute, we place importance on constantly asking ourselves what has value and what customers and society truly need, and reflecting the answers in our products. Of course, this R&D process is only possible through collaboration between sales, production, construction and other divisions nationwide.

We value relationships with our customers

It does not matter how superior the technology used in a house is or how outstanding the design of the house may be if the residents don’t find the house comfortable or want to live in it. Sekisui House values the frank opinions of ordinary consumers and incorporates their observations and ideas from their daily lives into its homes.

The *Nattoku Kobo Studio* (Home Amenities Experience Studio), which has been part of our Comprehensive Housing R&D Institute since the institute was established in 1990, is a hands-on facility

where visitors can discover their ideal home, not just through verbal descriptions, but by touching and experiencing it. In 2013, we also established the Sumufumulab, the industry’s first space for open innovation, inside Grand Front Osaka. At this interactive facility, we collect and convey information from a forward-looking perspective and collaborate with customers in giving shape to ideal homes. We reflect resident feedback from workshops and questionnaires in our R&D.

Product Development, Design & 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 result in houses that realize customers' dreams through the design of custom-made housing using our advanced design proposal capabilities. We will continue to improve our product development and design capabilities to create happy homes from every perspective.

Origins in protecting human life

Sekisui House began by providing pre-engineered housing that required only a short construction period to help resolve a housing shortage during Japan's period of rapid economic growth. Our products serve as shelter that protects people's lives and property, thus providing safety and security. We have always remained ahead of the times and lead the industry in delivering the highest quality and technology. In addition to offering the highest level of durability and earthquake resistance, we have created a variety of original technologies that our competitors cannot match. These include our original construction method for steel-frame and wooden-frame houses that achieves spacious living areas with large doors and windows; the Flexible B System, which allows for flexible layouts on each floor without the need for multi-story columns;

A basic stance of everyday comfort and safety in emergencies

Sekisui House has remained ahead of the times in pursuing comfort and improving the basic performance of its residences. For example, one characteristic of Sekisui House homes is the use of metric specifications. Although a *shaku* (30.3 centimeters) is a common unit of measurement in Japanese housing, Sekisui House was an early adopter of metric specifications, based on the concept of universal design. We have thus been building homes for comfortable living—now and always—with safe, secure living spaces that are roomy and easy to use, as well as experiential elements, manageability, beauty and other features that make residents feel at home.

Toward the next generation of housing and people

Utilizing our expertise in traditional housing construction suitable for the Japanese climate and our knowledge based on a track record of more than 2.5 million dwellings built, we create unique, unparalleled homes for each of our customers. We have approximately 2,900* skilled first-class architects nationwide for that purpose. Among them are our Chief Architects, a group of about 260 top creators with superior design capabilities who supervise and direct technical matters. Selected under a strict qualification system, they not only provide high-quality homes to customers, but also play a role in the ongoing

development of outstanding architects in-house. They act as role models for other architects, producing excellent designs that serve as best examples. They also direct training and conduct study tours for evaluating and learning from each other's notable sites and properties that incorporate unique concepts. In such ways, our Chief Architects are improving the design technology of Sekisui House while constantly maintaining a pool of expertise by cultivating the next generation of human resources.

exterior wall materials such as DYNE CONCRETE and Bellburn, which offer superior performance including durability and maintenance, in addition to the overarching factor of design; and SHEQAS, Airkis and other systems.

In addition to strengthening the houses themselves, over the past few years the Sekisui House Group has announced Green First ZERO+R (Resilience), a net zero energy house with enhanced resilience to natural disasters using the Group's disaster-response support system, and the SMART-ECS next-generation indoor environment control system. Through these and other products, we will continue to offer customers a higher level of safety and security.

A key point in residential construction going forward will be looking at what lies ahead for society and responding with flexibility and versatility to changing lifestyles. One example is the commercialization of our Family Suite. This product incorporates movable partitions to easily alter the floor plan without major remodeling when the makeup of the household changes or when members begin working from home. Family Suite uses developments in structural technology to offer happy living in a large open space, enabling us to propose diverse ways of living adapted to changes in lifestyles. Our Technology Division and R&D institutes will continue to take the lead in commercializing components with functions such as these.

* Non-consolidated

Sales



Our sales staff are the face of the Sekisui House Group. They conduct activities at the front lines, in direct contact with customers. Embodying our philosophy of love of humanity, they listen sincerely to customers' diversifying demands and remain closely attuned to them so that the Group can work together to provide constantly evolving products and services. This has established our track record of reliability.

Closely attuned to customers, who are making the biggest purchase of their lives

Detached house sales staff propose custom-made houses with or without land that meet the needs of customers who visit housing exhibits and customers introduced by owners. Our salespeople find out their needs and lifestyle, then work with designers and interior coordinators to create a custom-made plan that suits the customer's parcel of land. They also provide comprehensive support for the parcel of land process, including financial and tax consulting. We value communication with our customers. Through interaction with them at our experience-based facilities such as *Sumai no Yume Kojo* (Dream Factory for Housing) and *Nattoku Kobo Studio* (Home

Amenities Experience Studio), we get an idea of their ideal lifestyle, latent hopes and potential needs to propose houses where they can live happily for years to come. Through these sincere encounters, we dispel the anxieties and doubts of customers, who are making the biggest purchase of their lives—a house. In this way, we earn their wholehearted trust. Moreover, these valuable relationships and bonds that we continue to nurture even after we hand over a property lead to consultations on remodeling and relocation, as well as new encounters through referrals of family and friends.

Taking responsibility for our customers' future through effective use of real estate

For individual and corporate customers considering how to effectively use their land, our rental housing sales staff make proposals for asset formation through the construction of Sha Maison rental housing or commercial buildings. Before making proposals, they conduct marketing research on prime districts in each region and a detailed analysis of the characteristics of the area around the building lot, corporate demand, social needs and other factors. They are stepping up value-added proposals such as eco-friendly Sha Maison ZEH for long-term stable management and installation of elevators for tenant convenience, with a focus on obtaining orders for three- and four-story rental properties. Data on tenant needs held by Sekisui House Real Estate companies, which are part of the Sekisui House Group, are another important factor in business planning. The Group works together to support long-term stable operation through building management that satisfies tenants.

In the public real estate business, we focus on proposals using our unique Flexible B System construction method for properties such as public housing and apartment buildings that provide child-rearing support and facilitate long-term residence. Our wide-ranging initiatives include proposals for net zero energy buildings (ZEB) targeting corporations that conduct ESG management, which has attracted attention in recent years. We also make business portfolio reorganization proposals to corporations responding to changes in the business environment. Our sales staff work to hone their communication and strategizing skills to enhance their ability to consult on a variety of projects. Our aim is to create valuable assets for our customers, their tenants and local communities.

Procurement



In procuring materials, we consider the various challenges facing Japan's housing industry. We will pursue sustainability while coexisting and prospering with our suppliers.

Thinking and acting together with key suppliers

Since its founding, Sekisui House has been primarily involved in the housing business and has become an industry leader. With a view toward the future, it is important to strengthen cooperation with suppliers for coexistence and co-prosperity.

Suppliers currently face a variety of challenges. We have been visiting suppliers' factories to help with the implementation of improvement activities and to address various issues, including the need to raise quality. In recent years, we have been stepping up collaboration with suppliers—sharing these issues, thinking about

solutions, and coordinating our policies. As measures to achieve carbon neutrality, since 2020 we have been encouraging our suppliers to obtain accreditation from the Science Based Targets initiative* (SBTi) and join the RE100 initiative, and have begun providing our expertise to support supplier decarbonization. As a company that procures large amounts of diverse materials, we will work together with our suppliers to strengthen our supply chain based on our love of humanity, which underlies our corporate philosophy.

* Official validation of greenhouse gas reduction plans based on scientific findings

Stepping up CSR Procurement to help build a sustainable society

Houses are made to be lived in for generations. Material procurement, including that necessary for maintenance while people inhabit a house, also continues for a long time, so sustainability must be considered. Based on the Ten Principles of the United Nations Global Compact (UNGC),* ISO 26000 guidance on social responsibility, and other standards, we have formulated our CSR Procurement Guidelines covering the environment, quality and safety, human rights, labor and other topics, and have suppliers conduct self-evaluations of their own CSR initiatives. To ensure the reliability of these CSR evaluations, we monitor certain suppliers of particular interest.

Since signing the UNGC in August 2018, we have been promoting material procurement to help achieve a sustainable society. Specifically, we share case studies and issues in areas such as human rights, labor and the environment with our suppliers, and have set key performance indicators to step up CSR procurement. We will further strengthen cooperation to create long-term benefits for both ourselves and our suppliers.

* An initiative in which companies and other organizations participate on a voluntary basis to build a framework for sustainable growth by exhibiting responsible and positive leadership in their actions as members of the global community.

A deep understanding of wood enhances our uniqueness

As a housing manufacturer that uses wood in large quantities, it is important for us to select lumber sourced in a manner that is fair to society and takes sustainability into account. Sekisui House conducts Fairwood lumber procurement based on its Wood Procurement Guidelines, which encompass matters including legality and the ecosystems in logging areas. This has increased both supplier interest in the procurement process and the accuracy of traceability information.

For imported lumber, Sekisui House employees have been urging suppliers to make improvements as required, based on practices including due diligence, whereby employees confirm the condition of

timber procurement via onsite visits or surveys. In 2019, they also began onsite checks of structural components being considered for use.

For domestic lumber, we check the process from logging to production of laminated wood. We brand materials by production area to contribute to local production for local consumption as well as to regional revitalization. We have also begun unique initiatives including visits to logging sites and tours of the production process by salespeople to give them first-hand experience of the advantages and true value of Japanese wood so they can directly communicate its appeal to customers.

Production



Our pride and joy in being able to provide customers with the precious asset of a home is the driving force behind our untiring spirit of challenge and innovation. Our factories produce the structural components that ensure the safety and security that are fundamental to a home.

Proactive promotion of in-house development for customers and for the Company

In recent years, our production operations have been focusing on improving in-house technologies using cutting-edge artificial intelligence (AI), IoT and big data analysis technology in production lines. For example, in 2018 we introduced a smart line system that achieves more exacting quality control and greater savings in energy and labor. In the welding process, AI determines the optimal timing for the flow of structural materials, leading to improved productivity, workability and quality. The entire smart line, including the IoT and AI elements, was developed in-house by factory technicians through a process of trial and

error. We will continue working to improve our technologies through this combination of in-house development and advanced technologies.

Advantages of in-house development include speed and ease of management after implementation. Moreover, the technologies we accumulate during development become a Company asset. Being involved in building the houses that realize customers' desires is a source of great pride and joy for employees. This spirit of challenge and ambition to hone their skills are strengths of staff in production departments.

New innovations arise from connectedness between people

Sekisui House's pre-engineered housing realizes build-to-order production with different specifications for each home while maintaining high quality. Particularly at sites producing the structural components that ensure home safety and security, we are working to improve and innovate manufacturing based on changing customer needs and social issues while maintaining a stable shipping system at factories.

To enable these new innovations, Sekisui House places great importance on communication within and among factories. At Sekisui House, the close communication of information and the speed of sharing and adoption of ideas among our five factories nationwide are particularly notable. For example, when one factory develops a new production technology or establishes a manufacturing line, the information and methods are promptly shared among all factories. A

cooperative framework for sharing technologies and expertise through active personnel exchange among factories and verifying data from demonstrations to resolve problems also serves as a rich source of innovation. Personnel transfers are conducted among factories and personnel exchanges are conducted between each factory and the head office. In 2020, the Production Division was reorganized as the Production & Procurement Headquarters to broaden the range of its activities to include material procurement while establishing conditions for promoting further technological innovation. All of our factories share the techniques and methods cultivated through the development of new production technologies and the startup of production lines, and we are working to create an environment that facilitates the incorporation of ideas from production workers.

Reforming production and logistics through synergy between people and cutting-edge technology

As a countermeasure to Japan's labor shortage, which is an issue common to all industries, we are increasing production capacity while saving labor through the use of industrial robots.

Situations where we use AI, IoT and other information technologies have also increased in recent years. For example, for Bellburn earthenware exterior wall panels, which are made of ceramic and other natural materials, external factors such as temperature and humidity significantly affect the finished product. In addition to developing production technologies with this characteristic in mind, we have introduced an AI-based exterior inspection system to automatically determine whether there are any exterior defects. We have also introduced 3D inspection equipment that measures the shape of weld beads* for welded parts of

steel frame components. Adding automated machine inspections to our usual visual inspections has resulted in a stronger quality control system.

We have also built an on-site logistics visualization system that utilizes data for shipping and loading work to promote reforms such as improving loading efficiency and speeding up work processes.

In introducing the latest technology, we have set a target of halving staff for labor-intensive processes while maintaining product quality and safety. We will investigate production technologies that allow people and technology to complement each other by leveraging their respective strengths as we stimulate innovation at our factories.

* A bead-shaped deposit of hardened filler metal that was melted during welding.

Construction



The spirit of a “community with a common destiny” endures in our relationship of trust with Sekiwa Construction companies and the Sekisui House Association. This bond of solidarity, which has deepened since our founding, and the skills of the 11,000 workers on our sites are among the greatest strengths of Sekisui House.

Clearing high hurdles with the spirit of a community with a common destiny

The Sekisui House Group includes construction companies that design and build houses using high-quality materials that have been manufactured in-house. A total of about 11,000 construction specialists are involved in these processes, including Sekisui House personnel, the employees of 17 Sekiwa Construction companies,* and employees from members of the Sekisui House Association. The members of our design-build system have shared the spirit of a community with a common destiny since Sekisui House was founded. A construction site is the creation of everyone involved, including the onsite supervisors, construction managers and construction site managers as well as the tradespeople. This spirit is indispensable for steadily securing high-level construction capabilities while improving quality and customer satisfaction. In addition, we are working to develop our next generation

of human resources with the operation of education and training centers certified by the Ministry of Health, Labour and Welfare at three locations in Japan and the establishment of a skills training facility in Vietnam.

Under this framework, we are working together to provide high-quality housing safely in a short construction timeframe by sharing information on the production process and construction progress through close communication at factories and construction sites.

We have also enhanced the construction capabilities of the Sekisui House Group with the addition of Konoike Construction, a general contractor with strengths in areas including construction of houses using the traditional Japanese post-and-beam method and the civil engineering business.

* 17 companies as of January 31, 2021. 15 companies as of February 1, 2021.

Considering housing from a broad perspective

The housing industry is now entering the era of integrated proposals that encompass new ways of living and the methods for realizing them. Given this trend, it is not enough to simply improve the specialized skills of individual employees and relevant departments.

We also need human resources who can transcend the boundaries of their specialties to utilize various types of knowledge according to the work site. We are currently focusing on cultivating human resources with diverse perspectives by recruiting new university graduates from a wide variety of majors and using job rotation to give employees

working experience in multiple departments. We also have numerous in-house systems for recognizing and commending employees in each department. Systems include “Chief Constructor” for onsite supervisors with excellent construction knowledge, “Construction Meister” for construction employees with excellent construction skills and “CS (Customer Satisfaction) Meister” for employees with excellent skills in owner support. Their activities are directly linked to happy homes for our customers, and help increase both quality and the value of the Sekisui House brand.

Striving for the world’s happiest construction sites

Based on the love of humanity underlying our corporate philosophy, we also aim for the world’s happiest construction sites in our construction process. Happiness must be for all—not only our customers and our company, but also the tradespeople who work on our sites. We therefore consider it important to improve conditions at construction sites to make them safer and to facilitate work. Our construction reform request system collects feedback from our sites for use in making improvements. We have utilized this system and other initiatives for improvements in construction site environments, working efficiency and other areas, including precutting and partial assembly of

components, and the development and introduction of a mobile tower crane that enables four-story construction on narrow sites. In addition, we are actively providing a support system for ensuring a safe, pleasant and appealing working environment at construction sites for non-Japanese technical trainees. The cumulative effect of these improvements will be happier construction sites, ultimately leading to stable construction crews and higher productivity.

Customer Service



We aim for customer service that impresses. This aspiration is part of our DNA, continuously passed down from senior to junior employees, and the essence of the Sekisui House brand. We will continue on this path together with our customers, keeping watch over their homes as a partner in creating happiness.

Proud to stand side by side with customers through thick and thin

One advantage of Sekisui House is the tendency for customer satisfaction to increase even after owners take possession of the house. This is the result of an approach to customer satisfaction that we foster at customer service centers nationwide: continually thinking of our customers and keeping watch over their homes throughout their lives. We value our relationships with customers even after they take possession, and work with our R&D institutes and Technology Division to provide them with maximum support.

Our customer service centers have a dedicated staff of approximately 1,500, or about one-tenth of our workforce. Under the slogan “comfortable living—now and always,” we will continue to respond to customers’ requests and inquiries for as long as they live in the homes we build, as we establish a system to provide meticulous after-sales service.

The role of our customer service centers includes making sure houses can be lived in for a long time

Our customer service centers cooperate with Group companies to promote the resale of houses. Passing on high-quality housing to the next generation as a social asset rather than repeatedly tearing homes down and rebuilding helps to create a sustainable society that responsibly maintains housing assets. In addition, our efforts to protect the value of buildings include establishing relationships with new owners after a change in occupants, so that quality housing can

continue to be used. These initiatives are made possible by the big data that Sekisui House has accumulated over many years. Another important role of our customer service centers is to promptly provide high-quality services, supported by our unique system of centralized management of blueprints, equipment, maintenance and repair histories, and other information.

The speed and accuracy of our response drives future business

In order to realize our vision of making home the happiest place in the world, our customer service centers must be closely attuned to residents and consistently provide superior service. Sekisui House is expediting large-scale upgrades to its support operations so that all services are available to all customers. In August 2020, we established a new Owners’ Desk and started accepting calls 24 hours a day, 365 days a year. 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 so they can live happily.

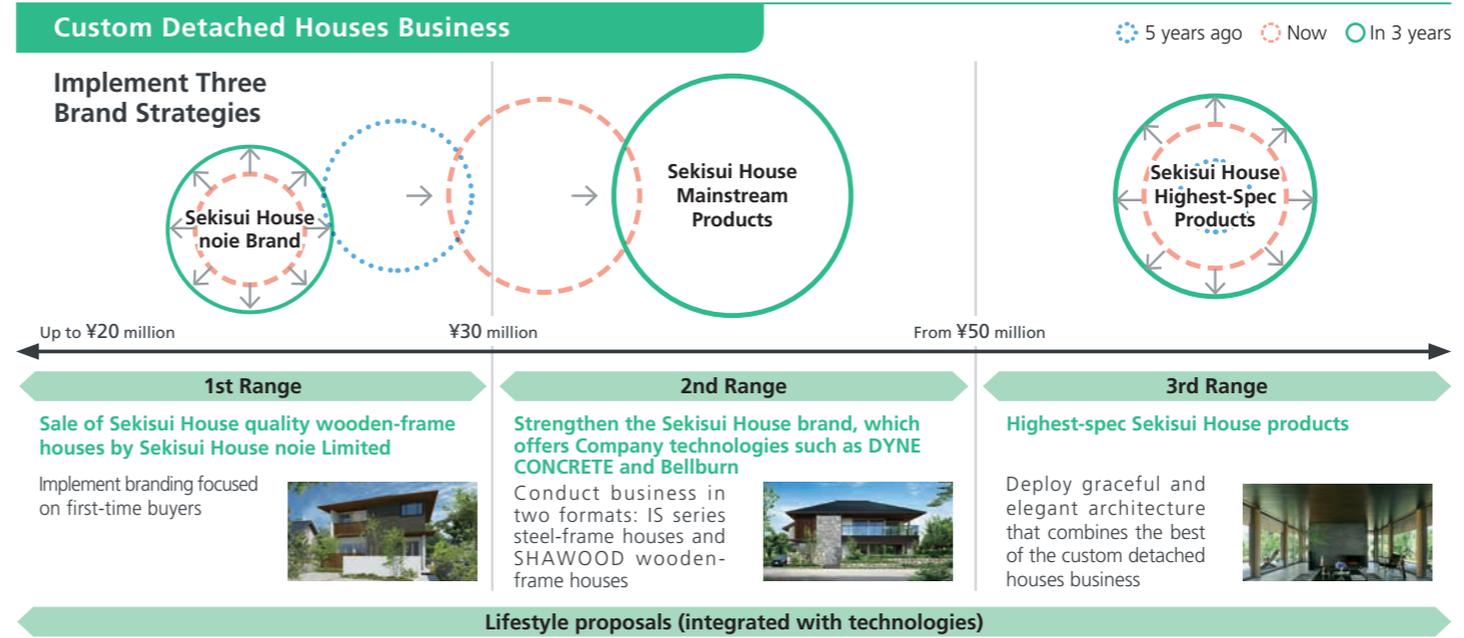


Built-to-Order Business

- Custom detached houses business
- Rental housing business
- Architectural/Civil engineering business

This business builds custom detached houses and rental housing under contract on land owned by the customer. The custom detached houses business promotes a three-brand strategy according to price range that offers new value as well as high-quality, high-performance products. The rental housing business and architectural/civil engineering business provide high-quality, hotel-like rental housing centered on urban areas, their priority strategic focus.

Fifth Mid-Term Management Plan Policies



Proposal of the Company's core technologies such as ZEH, SHEQAS and Airkis and lifestyle design proposals such as Family Suite, REGNUM COURT and the Platform House Concept created through the interweaving of the strengths of these technologies.

Rental Housing, Architectural/Civil Engineering Business

Promote focused S and A area¹ marketing

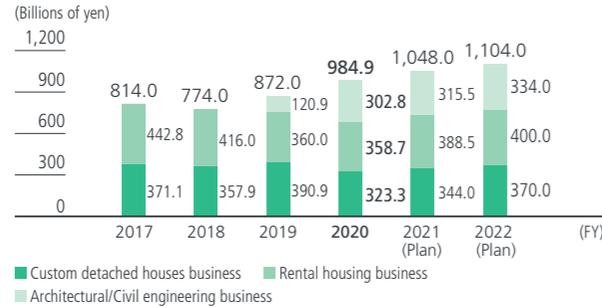
- Strengthen corporate real estate (CRE) and public real estate (PRE) businesses²**
 - Strengthen proposals for utilization of assets owned by companies and government in S and A areas (prime city center locations).
 - Strengthen business solution proposals utilizing big data to address the issues faced by companies and government (such as diverse workstyles, improvement of labor productivity, attraction and retention of employees and development of the living environment).
- Supply value-added Sha Maison rental housing and promote price leader strategy**
 - Strengthen value-added proposals of rental housing to be supplied in S and A areas.
 - Aim to be price leader by setting prices commensurate with added value resulting from the promotion of ZEH specifications, built-in elevators, harmony with the environment and the surroundings, increased use of IT and IoT, and other innovations.
- Strengthen supply of mid- and high-rise buildings focusing on the Company's Flexible B System construction method**
 - Strengthen supply of 3- and 4-story properties, which have high market competitiveness in S and A areas, using the Company's Flexible B System construction method.
 - Increase synergy in the Group in mid- and high-rise apartment properties and non-residential properties through collaboration with Konoike Construction.



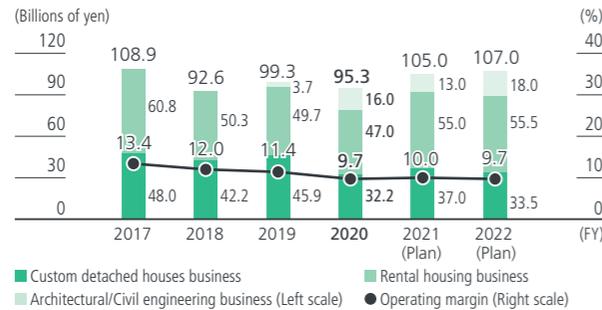
1. Areas in cities that the Company classifies as strategic locations for business development
 2. Businesses that propose effective uses for real estate owned by corporations (CRE) and by public organizations and administrative agencies (PRE)

Built-to-Order Business

Sales



Operating Income and Operating Margin



Review of FY2020 and Strategies Going Forward

FY2020 got off to a rough start, as COVID-19 began to run rampant from the first quarter, but we took various measures to minimize its impact on our businesses.

In the custom detached houses business, while housing exhibits were temporarily closed due to the state of emergency declared in Japan in April 2020, we were able to continue operations by promptly devising content for *Ouchi-de-Sumai Zukuri* (Housebuilding from Home), a system that enables online negotiations with customers. This success was the result of the groundwork we had started laying for digital marketing before the onset of the COVID-19 pandemic. In the early days of the pandemic, there were nationwide delays in the supply of equipment and materials, but the relationships we have built with suppliers helped to keep delays in delivery and construction schedules to a minimum. In our price range-based brand strategy, the success of value-added proposals for products such as the first-range Sekisui House noie brand and the IS series and SHAWOOD, the mainstream products of the second range, resulted in an overall increase in average price per unit. Orders also increased for products in the third range, which have the highest specifications. In the rental housing business, although growth in orders from hotels, medical and

nursing care facilities was weak, the number of net zero energy houses (ZEH) in Sha Maison orders substantially exceeded our target. The architectural/civil engineering business progressed as planned through collaboration with Konoike Construction.

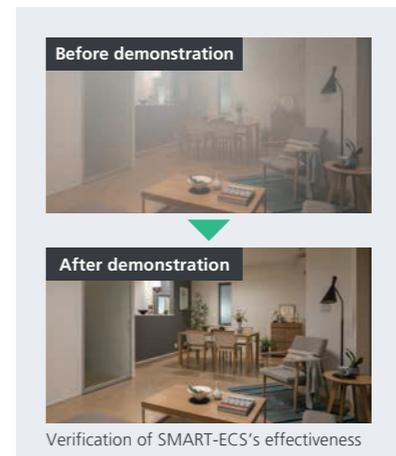
To meet the targets of the Fifth Mid-Term Management Plan, we keep close track of the break-even points for each of the three businesses and work to even out shipments by strictly complying with contract construction schedules. In the custom detached houses business, we aim to improve our ability to propose products that encompass not only the core Sekisui House technologies, but also high-value-added lifestyle design such as our Platform House Concept. In doing so, we are continuing to aggressively promote our brand strategy and build relationships of trust so we can introduce the most suitable brand to each customer. In the rental housing business, we analyze each area in detail to enhance our ability to make proposals to corporations and governments for effective utilization of land, profit-making investments and business matching. The architectural/civil engineering business will step up collaboration with Konoike Construction to generate greater synergies within the Group in mid-rise, high-rise and non-residential buildings.

Close-Up

Launch of SMART-ECS, a Next-Generation Indoor Environment Control System

Due in part to the impact of the spread of COVID-19, interest in new lifestyles and health has been growing. Now that people spend more time at home, housing proposals that take into account the health of the occupant's family are gaining popularity. In response, Sekisui House launched SMART-ECS, a next-generation indoor environment control system designed to remove a variety of pollutants including pollen and airborne particles with a diameter of 2.5 micrometers or less (PM2.5). This proprietary system integrates ventilation, air purification and ventilation zoning to create comfortable living spaces with clean air flow. We deliver comfortable housing that you can enjoy during all four seasons using the highest quality and latest technology.

For details, see <https://www.sekisuihouse.co.jp/kodate/feature/technology/smart-ecs/> (Japanese only)



Custom Detached Houses Business

Providing happiness through new, value-added offerings that integrate advanced technologies with comfort and lifestyle design proposals tailored to residents.

Lifestyle Design

For more luxurious time at home during the new normal
Launch of KOKAGE LOUNGE for a Feeling of Living in a Cozy Bower

Our new SHAWOOD KOKAGE LOUNGE wooden-frame detached houses offer the concept of a relaxing life in a cozy bower, nestled beneath trees. A large roof that provides a sense of privacy and protection, and the wide open space under the roof that opens onto the outside world, give the feeling of bathing in light filtered through the branches of large trees overhead. The sloping line of the ceiling extends through the eaves, giving residents a clear view so they can appreciate the natural surroundings, even while indoors.



Minna no Kurashi 7 Stories

Seven lifestyle model houses tailored to diverse needs. A new format for experiencing houses, staged as if they were the actual homes of seven families to give visitors a realistic sense of their daily lives.



→ See page 25 for details.

Family Suite

A large living room without pillars or partitions fosters happiness, facilitating connectedness between household members while maintaining a sense of comfortable distance. This design enables us to offer exciting new living rooms where all family members can spend time as they please.

→ See page 24 for details.

Original Sekisui House Items That Support Pleasant Daily Lives for Families

Indoor air system for healthy families
Airkis

Indoor air is the most common substance to enter the human body, much more even than food or drink. The Airkis high-quality indoor air system reduces indoor concentrations of five major chemical substances to less than 50% of the guideline values set by the Japanese government, assuming that children use about twice as much air as adults.



Adding comfort to safety and ease of use
Smart Universal Design

In addition to safety, security and ease of use, the design of our houses aims for comfort that appeals to all five senses, including touch, as well as user-friendly operation and the beauty of the design itself.



Insulation that provides comfort in any season
Insulation Performance

Our approach to insulation is to keep indoor temperatures consistent in all rooms year-round. The standard specification for thermal insulation in our houses is Grade 4 under the Housing Quality Assurance Act of Japan and housing performance indication system.



Saving and generating energy for eco-friendly lifestyles
Green First Zero

These houses provide comfortable living while reducing energy consumption. They are designed to be energy neutral in ways such as using photovoltaic power to generate energy equivalent to the amount consumed.



Technologies

DYNE CONCRETE LIFE SERIES
Lightweight steel-frame housing
Dynamic Frame System

This construction method achieves high levels of both safety and freedom in design, allowing us to offer the spacious, open and comfortable Family Suite featuring a ceiling height of 2.7 meters and spans of up to 7 meters without pillars. The SHEQAS seismic control system has proven to be consistently effective not only during major earthquakes but also during repeated aftershocks. DYNE CONCRETE, our highest-grade exterior wall material for steel frames features outstanding strength and durability and a sturdy appearance reminiscent of quarried stone.



SHEQAS



Dynamic Frame System



DYNE CONCRETE

SHAWOOD

Wooden-frame housing
SHAWOOD Construction Method

SHAWOOD wooden-frame housing was designed to realize large pillar-free spaces, atriums and cantilevers, all of which are difficult to achieve with ordinary wooden structures. Our metal joint (MJ) system thoroughly reinforces the joints, which are considered the weakest point of wooden houses. Bellburn earthenware exterior wall panels feature a warm, soft texture as well as a proprietary construction method that ensures excellent durability while maintaining a beautiful like-new finish.



SHAWOOD construction method



MJ system



Bellburn

Rental Housing Business and Architectural/Civil Engineering Business

Working for customer happiness by offering high-quality, hotel-like rental housing through area marketing that specializes in S and A areas (prime city center location).

Lifestyle Design

Rental housing
Sekisui House's low-rise rental apartment
Sha Maison

Spaces for happy life and work at home
Sha Maison Work Life Mix

We offer plans that support new lifestyles including telecommuting and online study during the COVID-19 pandemic. We also increase added value through the effective use of corporate-owned land.



ZEH Rental Housing

Rental housing that meets the needs of ethical consumers, who are expected to grow in number. Owners can also expect long-term stable management.

➔ See page 64 for details.



Non-residential facilities:

A Diverse Track Record of Meeting Local Needs, Including for Elderly Care and Welfare Facilities

We help seniors lead the lifestyles they choose. Through safety checks and other life support services, we create environments where seniors can live with peace of mind in a refined atmosphere and communal areas that appeal to people who are used to quality. In addition, we utilize advanced technologies to provide a full range of functions that help them lead independent lives.



Hotel-like styling differentiates Sekisui House from competitors

Technologies

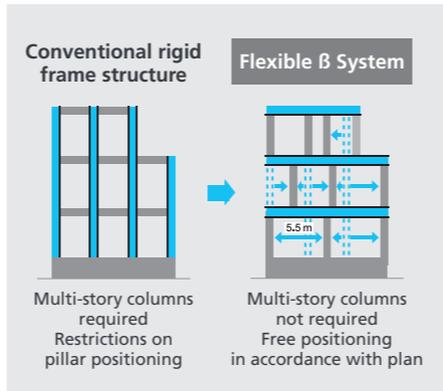


Flexible β System for 3- and 4-Story Heavy Steel Frame Structures

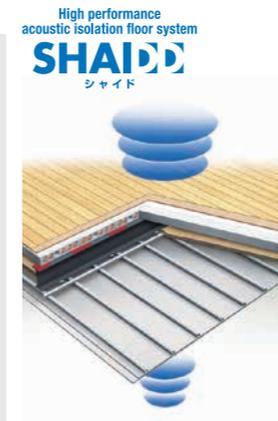
Acquisition of type-approval shortens the time required for application and permit screening from the usual three to six months to as few as four to seven weeks, and systematization that takes advantage of pre-engineered housing shortens the construction timeframe. The Flexible β System also offers outstanding freedom for designing diverse buildings including facilities for the elderly, for which demand is growing, nursery schools, medical facilities, hotels and public facilities. The rigid frame structure does not require multi-story columns and allows repositioning of the pillars on each floor, thus enabling total design freedom for multi-family housing, complexes combining housing with commercial space, and other applications. The SHAIDD high-performance acoustic isolation floor system reduces impact sound from the floor above to about half that of conventional steel-frame construction, resulting in greater tenant satisfaction with their rental housing.



Flexible β System

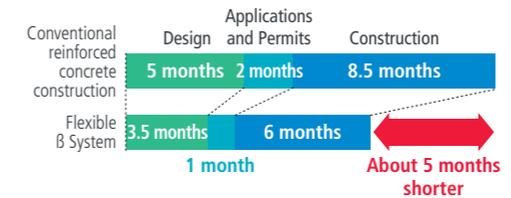


Multi-story free design



SHAIDD 55

Comparison of Construction Timeframe with Conventional Reinforced Concrete Construction (3-story apartment building; 3,000 sq. m floor area)





Supplied Housing Business

- Remodeling business
- Real estate management fees business

This business supports owners of our custom-built houses by proposing remodeling solutions for those houses and assists in rental housing management by subleasing properties. In the remodeling business, we proactively conduct proposal-based and environmental-based remodeling. In the real estate management fees business, we strengthen relationships with owners and improve services for tenants.

Fifth Mid-Term Management Plan Policies

Remodeling Business

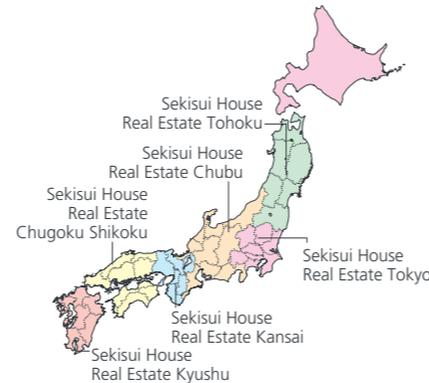
Actively deploy proposal-based and environment-based remodeling

- Sekisui House detached houses (Sekisui House Remodeling, Ltd.)**
 - Proposal-based remodeling: Promote remodeling to create flexible spaces according to family lifestyle. Family Suite Renovation proposing a new style of home that reflects diverse values and unique lifestyles.
 - Environment-based remodeling: Promote energy-saving remodeling in line with advances in thermal insulation performance. *Idocoro Dan-netsu* (location-based heating), Green First renovation that improves thermal insulation and realizes comfortable homes centered on the living, dining and kitchen space, where families spend the most time.
- Sha Maison rental housing (Six Sekisui House Real Estate companies)**
 - Improve the competitiveness of properties in the rental market by raising asset value and tenant satisfaction and provide consulting services to owners for the stable management of rental housing. Remodeling aimed at maintaining and improving rent levels, including changing layout, installing popular facilities in addition to carrying out regular maintenance such as freshening up the exterior and updating equipment.
- Houses built by others (17 Sekiwa Construction companies*)**
 - Implement renovation and remodeling focusing on earthquake resistance and eco-friendly improvements. Remodeling and renovation of many different types of buildings, including detached houses, rental housing, apartment buildings and non-residential buildings, focusing on earthquake resistance and eco-friendly improvements with a high awareness of social impact.

* 17 companies as of January 31, 2021. 15 companies as of February 1, 2021.

Real Estate Management Fees Business

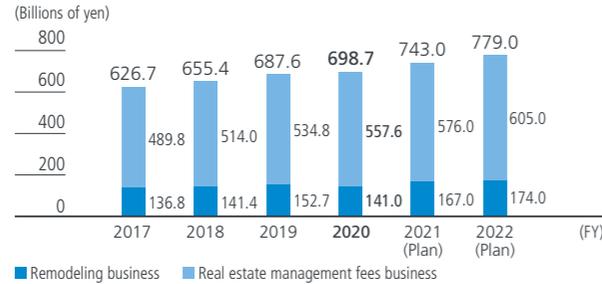
Strengthen rental housing management and brokerage business through change in company name to “Sekisui House Real Estate”



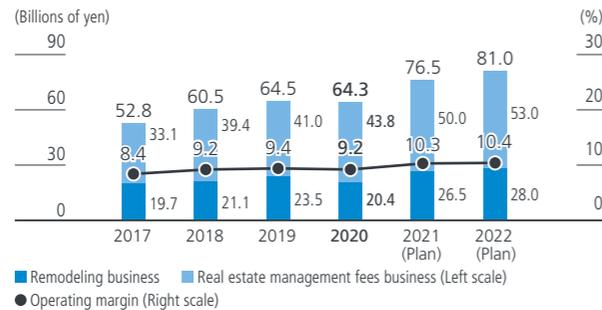
- Strengthen relations with owners of rental housing**
 - **Real estate management fees business (Newly built housing)**
Seek further brand unification and synergy by linking Sekisui House Real Estate with the Sha Maison brand and strengthen partnerships with owners for long-term stable management.
 - **Real estate management fees business (Existing housing)**
Mutually benefit Sekisui House Real Estate companies, owners and tenants by preventing rents from falling and maintaining and improving rents through stronger property management, remodeling and renovation.
 - **Brokerage (Real estate trading)**
Further promote the brokerage and distribution of housing and land for building through SumStock and the purchase and resale of existing housing in order to build a Sekisui House Real Estate Group that is strong in residential land.
- Improve the level of tenant services**
 - Work toward utilizing blockchain and form a consortium based on cross-sectoral cooperation to realize a seamless renting process.
 - Seek further improvement in the level of tenant services through demonstration experiments and research utilizing information technologies such as IoT and AI.

Supplied Housing Business

Sales



Operating Income and Operating Margin



Review of FY2020 and Strategies Going Forward

In the second quarter of FY2020, we revised our performance forecast downward due to the impact of the spread of COVID-19, but orders in the remodeling business have been on the upswing since the third quarter. While it has been difficult to visit customers' homes to make remodeling proposals and conduct negotiations, we have been conducting consultations via an online system that uses the content on *Ouchi-de-Remodeling* (Remodeling from Home), as we have been doing in the custom detached houses business. On November 1, 2020, we merged our three remodeling companies, Sekisui House Remodeling East, Central and West, into Sekisui House Remodeling, Ltd. Unifying our business enabled us to focus our expertise on proposal-based remodeling for new living spaces tailored to various lifestyles, and on environment-based remodeling for energy savings and comfortable living. As a result, we received large-scale orders from the third quarter onward. Following the merger of the three companies, the contract ratio for large-scale proposal-based remodeling projects over ¥5 million increased about 5% compared with the pre-merger period.

In the real estate management fees business, we changed the names of the various Sekiwa Real Estate companies to Sekisui House

Real Estate on February 1, 2020 to further strengthen the rental housing management and brokerage businesses across the Group.

In the rental housing management business, we provide high-quality building management and services for Sha Maison rental housing that enrich people's lives, and conduct timely renovations to reflect contemporary styles. By doing so, we have maintained high rents and secured stable profits from this high-value-added rental housing in desirable locations.

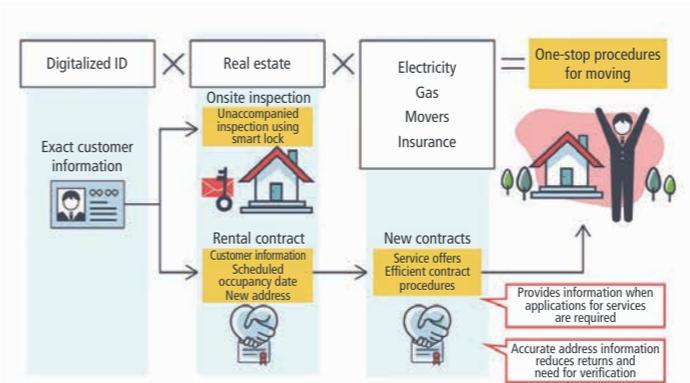
To meet the targets of the Fifth Mid-Term Management Plan, the remodeling business will enhance its sales and proposal capabilities by conducting detailed analysis of housing records and other owner information, and strengthen its focus on increasing large-scale remodeling orders. The real estate management fees business will further increase profits by securing high rents and occupancy rates in tandem with greater promotion of renovations in the rental housing management business. The brokerage business, which is on a recovery track, will contribute to results and aim for the overall growth of the business.

Close-Up

Industry's First Blockchain-based Service for Pre-Occupancy Procedures

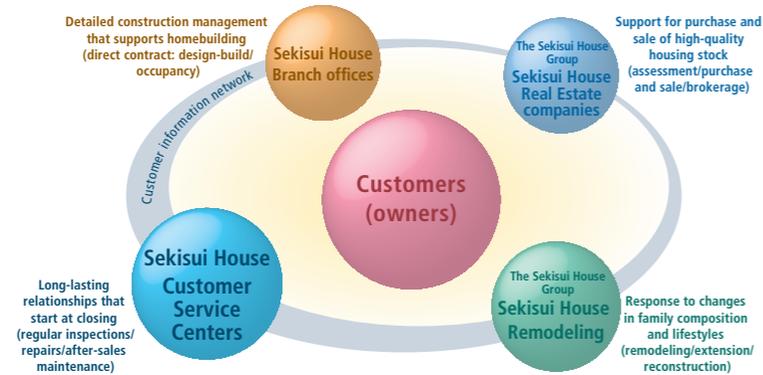
For customers looking to move into our Sha Maison rental housing, in January 2021 we implemented the industry's first* one-stop service for the various procedures that arise before taking occupancy. These procedures, which are numerous and cumbersome, range from onsite inspection and tenancy agreement to entering into contracts for various essential services and utilities upon moving in. The one-stop process reduces the burden on renters, thus improving our service to them. It was achieved by sharing customer information among companies in different industries while maintaining security using the blockchain technology of NEXCHAIN, a consortium that coordinates inter-company information exchange.

* Source: Sekisui House survey



Remodeling Business

The Customer Base Supporting Sekisui House's Remodeling Business



A key strength of Sekisui House's remodeling business is its customer base. As of January 31, 2021, Sekisui House had built a total of 2,506,598 dwellings, the most in the Japanese construction industry. By working together to provide services after construction, the Sekisui House Group strengthens relationships of trust with customers, leading to growth in orders for remodeling.

Large-Scale Orders for Proposal-Based and Environment-Based Remodeling

We have increased orders for environment-based remodeling including *Idocoro Dan-netsu*, an efficient solution for improving thermal insulation performance with a focus on the living, dining and kitchen areas where families spend most of their time, and proposal-based remodeling such as major changes in layout or plumbing to accommodate lifestage changes. As a result, large-scale orders of ¥5 million or more increased from 28% of total remodeling orders in FY2018 to 33% in FY2020.



Ie-Log Stores Maintenance Data for Each Residence



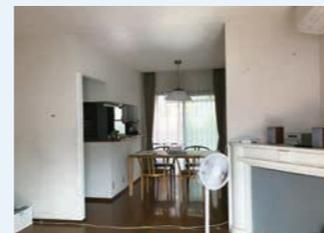
Ie-Log, which stores data for each residence we sell, plays a crucial role in proper maintenance and replacement of components. We are working to bolster our sales capabilities by using this data to enhance our ability to make proposals, thus leading to more sophisticated proposals.

Sekisui House Remodeling Case Study

The customers we handle at Sekisui House Remodeling are owners of homes built by Sekisui House. As we build relationships of trust with them through regular inspections and home visits, we find out where their interests lie in their homes. These discussions are useful in the event that customers decide to remodel. In this case, the customers wanted a more open feel in the living/dining/kitchen area, improved insulation and more storage space. When I showed them the conceptual image I had prepared, the customers told me they were impressed. I get a sense of satisfaction every day by staying closely attuned with customers and sharing my enjoyment of remodeling with them.



Noriko Yonemura
Manager, Kobe Sales Office,
Sekisui House Remodeling, Ltd.



Before



Conceptual image



After

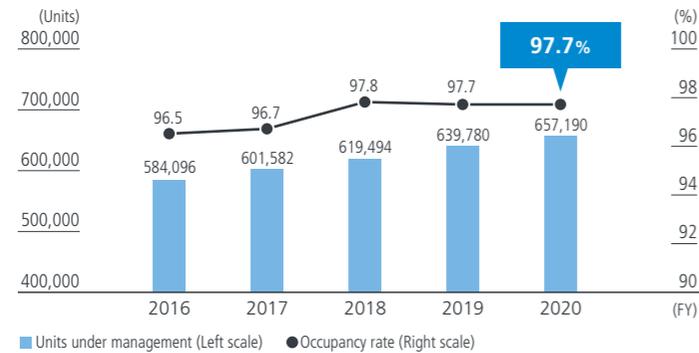
Real Estate Management Fees

Real Estate Management Fees Business

Improving the competitiveness of properties for stable business growth

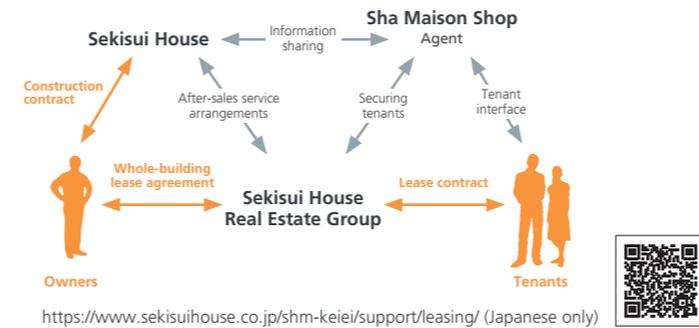
Units under Management and Occupancy Rate

We supply high-quality, high-performance Sha Maison rental housing with features such as hotel-like styling under a detailed strategy focused on S and A areas (prime city center locations). Moreover, management contracts with owners for whom we have built rental properties in the past are increasing. As a result of both these factors, rental properties managed by Sekisui House Real Estate companies have grown steadily to exceed 650,000 units. Sha Maison has become a regional price leader by meeting the needs of tenants and enhancing their satisfaction. In addition, under our approach that puts residents first we are strengthening property management and conducting remodeling and renovation as needed for older Sha Maison properties, including upgrading facilities and changing room layouts. This has not only led to occupancy rates at a high level despite the COVID-19 pandemic, it has also helped us maintain or increase rents.



Subleasing Service System Supports Long-Term, Stable Rental Property Management for Owners

Our subleasing service system is a key element supporting the real estate management fees business. Sekisui House Real Estate companies lease entire Sha Maison properties built by Sekisui House from their owners for a fixed monthly payment, regardless of vacancies. In addition to providing comprehensive property management services from day-to-day cleaning to maintenance and inspections, as the landlord, Sekisui House Real Estate companies deal directly with tenants and work to maintain and improve property value. The many owners who use this system appreciate how it saves time and trouble. Furthermore, Sha Maison Shops, agents with close ties to the local community, provide support for finding new tenants. Our subleasing service system improves occupancy rates, building operation and maintenance, ensuring stable management for owners and greater tenant satisfaction.



A New Option for Rental Housing Management and Succession from Sekisui House Trust

Many owners of rental housing have an array of concerns about its management, such as the trouble and time it requires, the possibility of dementia onset in the future, family members' lack of real estate management knowledge or the remote location of the property, as well as worries about methods for forestalling inheritance problems. One effective method for resolving such concerns and worries is a real estate management succession trust. Sekisui House Trust, Ltd. specializes in these trusts and assists in managing rental properties, homes, vacant houses and other real estate and reliably passing assets on to future generations.

* For details, see Sekisui House Trust, the official website <https://www.sekisuihouse-trust.co.jp/> (Japanese only)

Brokerage

Achieving growth and helping to resolve social issues by promoting an active resale market for high-quality housing stock

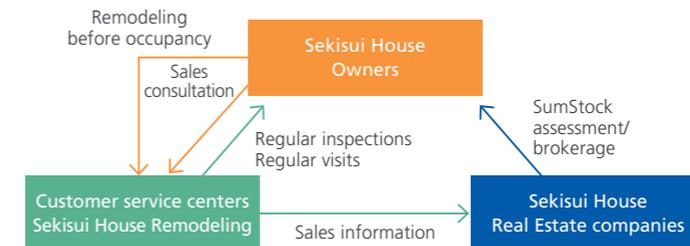
Strengthening the Brokerage Business by Promoting SumStock

The Sekisui House Group is a member of The Provision of Quality Housing Stock Association, which aims to encourage the resale of high-quality housing stock, and actively promotes the association's SumStock initiative, which is aimed at creating a suitable market structure for doing so. The Sekisui House Group collaborates to extend the useful life of housing and promotes its circulation. By doing so, we ensure that the asset value of Sekisui House's high-quality housing is properly evaluated and maintained.



Sekisui House Group Collaborative Promotion Structure for SumStock

Our customer service centers, Sekisui House Remodeling and Sekisui House Real Estate companies collaborate to promote SumStock.





The Ritz-Carlton, Kyoto

Development Business

- Houses for sale business
- Condominiums business
- Urban redevelopment business

This business starts with investments such as acquisition of land for development into houses for sale, condominiums, office buildings or commercial facilities to help create high-quality, prosperous communities. We emphasize ROA-focused management in development that generates stable earnings by improving asset turnover and acquiring prime land.

Fifth Mid-Term Management Plan Policies

Pursue ROA-focused management
Generate stable earnings by improving turnover and acquiring prime land

Houses for Sale Business

Policies	<ul style="list-style-type: none"> • Strengthen strategic purchases and manage inventory. • Focus on the development of beautiful communities.
Targeted regions	<ul style="list-style-type: none"> • Focus on land purchases in priority regions (target areas) to be determined by each regional branch throughout Japan. • Strengthen cooperation over land purchases, especially between Sekisui House and Sekisui House Real Estate. • Make Group-wide purchases to strengthen sales of Sekisui House noie.
Consideration for the environment	<ul style="list-style-type: none"> • Achieve both beauty and functionality through cityscape evaluation system and building evaluation system, to be established in internal standards.
Social issues	<ul style="list-style-type: none"> • Buy up properties for resale in cooperation with the remodeling business, including regeneration of unoccupied housing in large housing complexes.

Condominiums Business

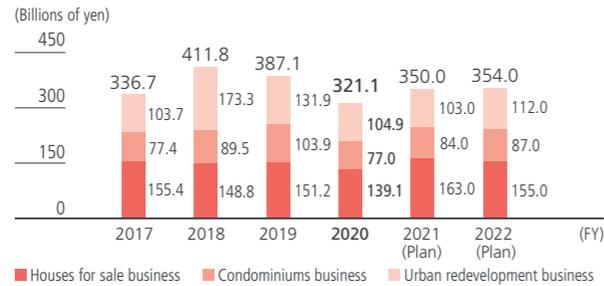
Policies	<ul style="list-style-type: none"> • Control balance of investment and promote development focusing on prime locations.
Targeted regions	<ul style="list-style-type: none"> • Continue development focused on Tokyo, Nagoya, Osaka and Fukuoka and purchase land in central areas. • Super high-grade land in major metropolitan areas such as Sapporo, Sendai, Hiroshima, Fukuoka and Okinawa on a case-by-case basis.
Consideration for the environment	<ul style="list-style-type: none"> • Apply environmental strategies developed in the custom detached houses business to condominium business. Expand ZEH condominiums.
Social issues	<ul style="list-style-type: none"> • Contribute to urban redevelopment by taking on the challenge of redeveloping aging condominiums on the market.

Urban Redevelopment Business

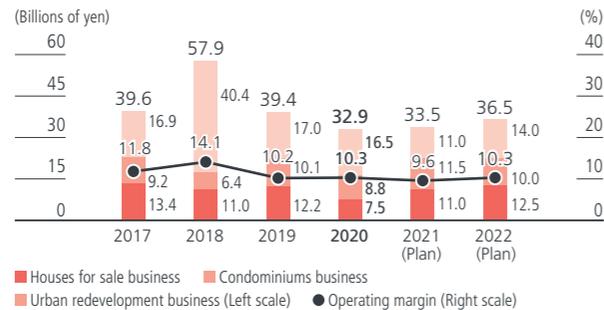
Policies	<ul style="list-style-type: none"> • Secure stable pipeline and strengthen exit strategies.
Targeted regions	<ul style="list-style-type: none"> • Actively participate in urban redevelopment projects in major cities and conduct development focusing on hotel projects and commercial facilities. • Expand Prime Maison and other rental condominiums for single persons mainly in the Tokyo Metropolitan area, and focus on fast turnover-type projects. • Promote regional revitalization through the <i>Michi-no-Eki</i> Stations Project in cooperation with municipal governments in regional areas.
Social issues	<ul style="list-style-type: none"> • Provide support for urban development aimed at realizing compact cities by strengthening relations with regional administrations and local public bodies and by proposing solutions.

Development Business

Sales



Operating Income and Operating Margin



Review of FY2020 and Strategies Going Forward

The houses for sale business resumed activities in stages after the declaration of the state of emergency in April 2020. We conducted sales activities utilizing virtual reality. Customers focused their attention on parcels of land in the suburbs as they searched for more space to accommodate new lifestyles and enjoy time spent at home due to the COVID-19 pandemic.

In the condominiums business, more customers attached importance to view and sunlight. Proposals at our model rooms included an additional room or corner space for telework. We also completed closings for large-scale projects in Tokyo and Osaka.

In the urban redevelopment business, we made new investments in rental housing with a relatively short recovery period, and have mainly been purchasing properties that contribute to improving the asset turnover ratio. In April 2020, we recovered funds by selling part of our stake in The Ritz-Carlton, Kyoto to Sekisui House Reit. As a result, the total value of property sales in fiscal 2020 was ¥72.4 billion. Umekita Phase 2 Development Project (tentative name), in which we are participating, and other urban development projects are proceeding smoothly.

To meet the targets of the Fifth Mid-Term Management Plan, we will continue to conduct ROA-focused management in all three businesses. In the houses for sale business, to acquire land in priority areas we will strengthen coordinated land purchasing by the Group, including Sekisui House and the Sekisui House Real Estate companies. In addition, we will work to offer both beauty and functionality, buying up properties, including unoccupied housing in large housing complexes, which we regenerate and resell in cooperation with the remodeling business. In the condominiums business, we will develop high value-added properties based on environmental and lifestyle proposals and pursue strategies that consider the balance between the value of and investment in properties. The urban redevelopment business will further enhance its pipeline while strengthening its exit strategy for real estate investments, including sales of properties to Sekisui House Reit. The profitability of the hotel properties we own has fallen sharply due to the COVID-19 pandemic, but we will work with Marriott International, Inc. to fully capture demand during the recovery period.

Close Up

Opening of Hotels for the Trip Base *Michi-no-Eki* Stations Project

Sekisui House and Marriott International, Inc. have teamed up with local governments in 25 prefectures and 34 partner companies for the Trip Base *Michi-no-Eki* Stations Project, a regional revitalization business based on the concept of a "quest to discover the hidden charms of local Japan." Fairfield by Marriott hotels that serve as travel hubs have opened in eight facilities in four prefectures since October 2020. To assist regional revitalization nationwide, we will open 15 hotels in six prefectures by spring 2022 as the first stage toward our goal of expanding the combined capacity to about 3,000 rooms by 2025.

* For details, see TRIP BASE STYLE, the official website of the Trip Base *Michi-no-Eki* Stations Project <https://tripbasestyle.com/> (Japanese only)



Houses for Sale Business

SMART COMMON CITY AKAISHIDAI was our first large-scale community development project in Miyagi Prefecture after the Great East Japan Earthquake. During a curb on new urbanization projects in the prefecture, we received approval for the development of a large-scale residential complex (public notice on May 18, 2010). The following introduces the lovely townscape of Akaishidai, where Sekisui House mobilized its expertise in community development.

▶ SMART COMMON CITY AKAISHIDAI

Akaishidai, Tomiya City, Miyagi Prefecture Total number of lots: 763 (730 sold by Sekisui House)



Gohon no ki project tree plantings and our original townscape guidelines have created a verdant and beautiful community



A different variety of tree for each street helps to define the townscape.



In keeping with our commitment to local production for local consumption, we use expressive date kanmuri stones for landscaping

The Akaishidai area offers excellent convenience for daily life, with commercial facilities, educational institutions, financial institutions, medical facilities and good access to the city center. In addition to our high-quality housing, we have enhanced safety and security using ideas from our previous community planning and development as well as lessons learned from the Great East Japan Earthquake. Our aim is to create a community that promotes long, healthy lives for people and their homes, with a view toward the era of the 100-year lifespan. Due in part to the increased time people have been spending at home during the COVID-19 pandemic, this quiet, verdant and beautiful townscape is attracting attention.

Community Overview

Safety and Security

Security is thorough and the streets are pedestrian friendly.



Security company Secom Co., Ltd. regularly patrols the area.



Promenade along the community boundary

Disaster Preparedness

The three emergency evacuation centers in the community contain stockpiles of emergency food and supplies and are used for holding disaster preparedness seminars, among other purposes.



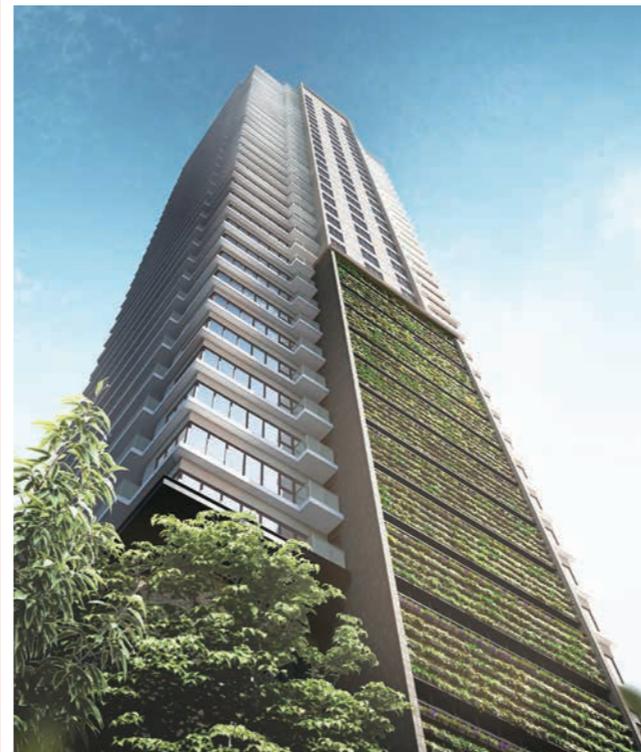
Condominiums Business

We conduct our condominiums business mainly in Tokyo, Nagoya, Osaka and Fukuoka, applying the environmental strategies cultivated in our housing businesses to promote the development of ZEH condominiums.

▶ GRANDE MAISON Uemachi 1-chome Tower

Chuo-ku, Osaka City, Osaka Prefecture Completion scheduled for late November 2022

A super high-rise tower residence that offers both comfortable living and high-performance thermal insulation. Insulation performance of window glass has also been improved to keep the windows large. All 188 units meet ZEH-M Oriented standards for condominiums. This project was selected by the Ministry of Economy, Trade and Industry as a high-rise ZEH-M condominium demonstration project for FY2019.



Entrance



Entrance hall



Living space (living room)

▶ **Grande Maison
Shinagawa Seaside no Mori**
Shinagawa-ku, Tokyo
Completed in December 2019

Greenery has been planted on approximately 3,700 square meters of a vast site of over 13,000 square meters. In addition to preserving and reusing existing trees and ornamental stones, we created a new grove of 15,000 trees. The development has also obtained Long-Life Quality Housing Certification* for long-term residence with peace of mind and a reduced environmental impact.



Entrance



Café/Lounge



Library

* Long-Life Quality Housing Certification system: Certification based on the Act for Promotion of Long-Life Quality Housing for plans to build and maintain quality housing for which measures have been taken so that the property can be used continuously for extended periods of time in good condition.

Urban Redevelopment

Sekisui House also develops large-scale properties such as offices, rental housing, commercial buildings and hotels, with a focus on attractive and highly valuable assets. We established Sekisui House REIT, Inc. and have created an exit strategy based on a pipeline support agreement between its asset management company, Sekisui House Asset Management, and its sponsor, Sekisui House.



▶ **Hirokoji Cross Tower**
Naka-ku, Nagoya City,
Aichi Prefecture
Opened in March 2018

We contributed to the revitalization of Hirokoji-dori and the Sakae and Fushimi districts by creating a bustling area with the construction of the new Hirokoji Cross Tower and the conversion of the historic former head office building of The Bank of Nagoya. This property received the 26th Aichi Prefecture Urban Design Architecture Award in FY2018.

▶ **Prime Maison Shimokitazawa**
Setagaya-ku, Tokyo
Completed in December 2019

This property received the 2020 Good Design Award for harmonizing with the extensive greenery of the surrounding area.



▶ **W Osaka**



Chuo-ku, Osaka City, Osaka Prefecture
Opened in March 2021

Our partner, Marriott International, opened one of its W Hotels, which feature unique designs.





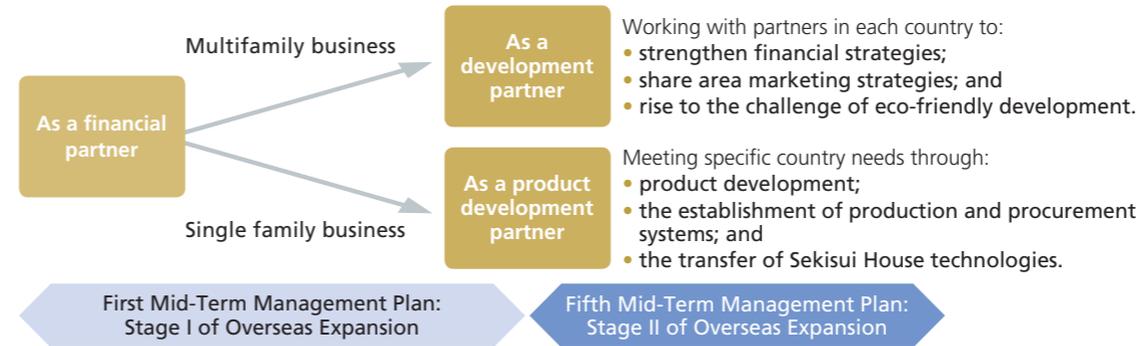
Overseas Business

We sell detached houses and residential land, and develop condominiums for sale or rent and other properties in five countries including the United States. Using the Sekisui House technologies we have cultivated in our domestic businesses in areas including safety, security, and comfort, we will help resolve social issues in each country and conduct initiatives to provide new value in housing to maximize the happiness of our customers and society.

Fifth Mid-Term Management Plan Policies

Overseas Business

Start the global rollout of Sekisui House technologies and advance to the next stage



Review of FY2020 and Strategies Going Forward

In FY2020, because of differences in the COVID-19 pandemic situation between countries, we conducted business activities tailored to measures in each country.

In the United States, in FY2020 we moved the planned sale of some properties in the multifamily business to FY2021 or later and sold three projects. The master-planned community business and the homebuilding business performed strongly due to factors including the spread of telecommuting and a boost from historically low mortgage interest rates. In China, sales and closings for condominiums proceeded smoothly as we made steady progress toward selling out all projects during the Fifth Mid-Term Management Plan period. In Australia, we revised the profit plan for the condominium business, but the residential land development business made steady progress.

We have primarily been focusing on real estate development but going forward we will evolve our overseas business by stepping up our growth strategies for built-to-order businesses (homebuilding, rental housing contracting and others) and supplied housing

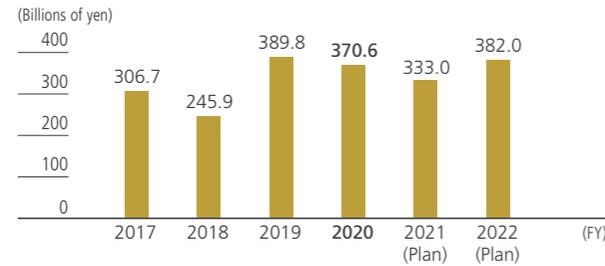
businesses (property management, rental housing management and others) in harmony with our area strategies for each country. We will also bolster our financial position and focus on the operating margin and ROA to balance investment and returns.

As an additional measure that is essential for a successful global rollout of our diverse businesses, we will promote greater localization with a focus on prioritizing relationships of trust with outstanding local partners and cultivating capable local human resources who understand Sekisui House's philosophy and vision.

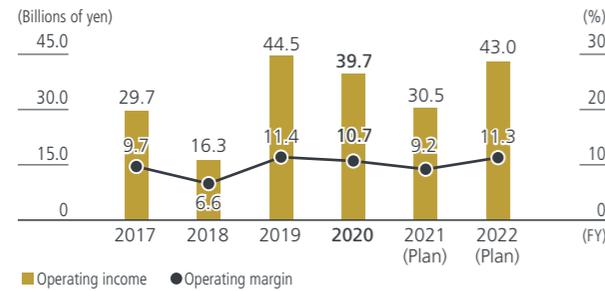
We have positioned the Fifth Mid-Term Management Plan as a period for improving quality and a time for setting up a foundation, including acquiring land, creating a system for delivering 3,000 detached houses per year and establishing a supply chain. As a shortage of skilled workers and an aging population become issues in many countries, we will also work to help resolve social issues by popularizing pre-engineered housing.

Overseas Business

Sales



Operating Income and Operating Margin



Close-Up

Promoting ESG at Overseas Subsidiaries

E (Environment): Popularizing a U.S. Version of ZEH

In the United States, where interest in sustainable living environments is growing, we are focusing on developing and popularizing a U.S. version of ZEH that deploys the eco-friendly housing technology that is a Sekisui House strength. We currently have three houses that are fully compatible with ZEH, and we are also supplying numerous ZNE* Ready-level houses that meet local standards.

* Zero Net Energy

S (Society): Women in Prominent Roles at Subsidiaries in Each Country

In the United States and Australia, women account for a high percentage of our employees, and the percentage of female managers is increasing year by year.

U.S.-based Woodside Homes welcomed its first female branch manager in 2020 and appointed its first female CIMO* responsible for research and marketing in April 2021. In Australia, the staff member in charge of marketing and sales at West Village, our condominium business in Brisbane, received a 2020 Women in Leadership Award for Excellence, sponsored by UDIA Queensland.

*Chief Insights and Marketing Officer

G (Governance): An English Translation for Better Understanding of Our Corporate Philosophy

As we roll out our business in each country, we believe it is important for all employees to conduct their work with an understanding of our corporate philosophy, which centers on our philosophy of love of humanity. Various departments therefore collaborated on an English translation of the corporate philosophy, which was previously only available in Japanese. Going forward, we will create a training system and take other measures to spread our corporate philosophy worldwide.

Overseas Business



Overseas Business
United States

Develop high-value-added properties and step up sales of houses based on lifestyle proposals and eco-friendly houses

FY2020 Sales	Operating income
¥240.7 billion	¥25.2 billion



Issues	Responses
<ul style="list-style-type: none"> • Brisk housing demand due to population growth • Risk of large-scale earthquakes on the West Coast • Greater motivation to combat global warming due to changes in hurricane tracks and other factors • The need for exterior maintenance 	<ul style="list-style-type: none"> • Strengthening of collaboration with Woodside Homes • Transfer of Sekisui House technologies • Construction of SHAWOOD homes featuring high earthquake resistance and ZEH specifications • Introduction of Bellburn earthenware exterior wall panels

Business Overview

• **Multifamily business**

As the core of our operations in the United States, we will use this business to stabilize earnings. We will conduct business mainly in existing areas while maintaining sound exit strategies. At the same time, we will consider holding excellent properties for a certain period as a source of stable earnings.

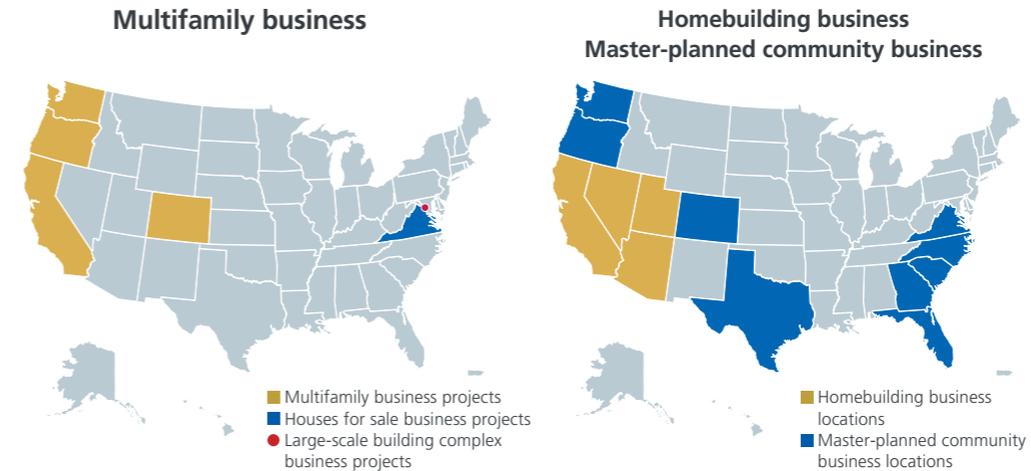
• **Homebuilding business**

In the United States, we will shift our sales from our former focus on price-oriented models to houses based on lifestyle proposals that deploy Sekisui House's expertise, and will introduce Sekisui House's SHAWOOD wooden-frame houses.

• **Master-planned community business**

We will rigorously select new investments and aim for synergies through integrated management with the homebuilding business.

Business regions



Business Environment

In the multifamily business in the United States, although tenant turnover temporarily halted during the COVID-19 pandemic due to factors including a thorough switch to telecommuting, mainly on the West Coast, tech company employees are returning to the office as they become vaccinated, and investors are gradually returning to the market.

We entered the homebuilding business with our acquisition of Woodside Homes in 2017, thus laying the foundation for full-scale development of the homebuilding business in the United States. During the COVID-19 pandemic, the homebuilding business is gaining momentum from growth in demand due to lower interest rates, as well as the impact of telecommuting and an increase in people moving from cities to the suburbs to get away from densely populated areas.

Overseas Business



United States

Develop high-value-added properties and step up sales of houses based on lifestyle proposals and eco-friendly houses



Fifth Mid-Term Management Plan Initiatives

• Multifamily business

In major cities on the West Coast, where IoT and AI companies are concentrated, demand for urban rental housing is brisk, mainly among millennials, due to growth in employment. As such, steady increases in rent are expected over the medium-to-long term. In cooperation with an outstanding partner in this area, we are involved in a number of multifamily apartment development projects, which we have made our core business in the United States.

Kiara, a high-rise rental condominium in Seattle that we sold in 2020, secured a high profit margin even amid a downturn in investor sentiment due to the COVID-19 pandemic. We will



continue working to secure stable earnings by conducting thorough research and making inroads in carefully selected prime urban areas with the aim of developing high-value-added properties that will be trophy projects.



• Homebuilding business

We are stepping up cooperation with Woodside Homes of the United States to shift from a price-oriented sales strategy to a customer-oriented strategy of providing happiness and aim to improve customer satisfaction by offering the option of houses based on lifestyle proposals and thorough after-sales service. We are also working to stabilize quality and to improve profitability with shorter construction schedules using the geographic planned production (GPP) we have cultivated in our business in Japan.

Natural disasters have occurred with greater frequency in recent years, especially on the West Coast, and problems caused by climate change, such as changes in hurricane tracks, have become more pronounced. We are therefore planning a pilot project for the SHAWOOD business in 2021 to follow Chōwa HOUSE, our IBS* concept home that was highly praised for its superior durability, ease of maintenance and environmental performance. Amid rising interest in sustainable living environments, we also aim to further expand this business by developing a version of ZEH for the United States that leverages our strengths in eco-friendly housing technology and popularizing designs that have become standard in Japan.

* International Builders' Show

• Master-planned community business

We are engaged in master-planned community development in various metropolitan areas across the United States where residents can commute to locations with high rates of growth in employment over the medium term. We rigorously select new investments with the aim of generating synergies through integrated management with the homebuilding business. We are carrying out individual projects while paying close attention to the timing for purchasing suitable development sites in light of economic fluctuations.



Sample house based on lifestyle proposal option



Overseas Business



Overseas Business
Australia

Help resolve consumer issues with basic and environmental performance developed in Japan

FY2020 Sales
Operating income

¥37.9 billion
¥0.5 billion



Issues

- Brisk housing demand due to forecast population growth
- Substantial room for improvement in housing quality
- Rising electricity bills due to deregulation and other factors

➔

Responses

- Construction of a factory in suburban Sydney for the Australian version of SHAWOOD home
- Establishment of a system for repetitive manufacturing of high-quality materials
- Construction of pilot ZEH SHINKA House

Business Overview

In Sydney and Brisbane, we have been conducting sales of detached houses and residential land, and developing condominiums, commercial facilities, complexes and other properties since 2008. While controlling the balance of investments, we will establish a stable earnings base that is resilient to economic and market conditions. In the homebuilding business, we will roll out an Australian version of our SHAWOOD business and raise brand awareness.

Business Environment

Although stable growth in housing demand is expected along with the forecast increase in population, real estate investment from overseas has been significantly curtailed by the continuation of investment regulations introduced in 2017, including the application of additional stamp duty and property tax for foreign investors. Demand consequently declined, especially for high-priced condominiums. On the other hand, the housing market is on a recovery track, with an increase in owner-occupier demand due to low interest rates on mortgages and the introduction of a housing subsidy program.

Our development business has a solid track record, having supplied more than 6,000 condominiums. We also have a high level of recognition as a developer in Australia, receiving numerous awards including Best Innovative Green Building at the internationally renowned MIPIM Awards for One Central Park, a joint business with Frasers Property.

Our homebuilding business also has an impressive track record, with over 4,500 units sold and a strong reputation for quality and service. Going forward, we will expand our business area to cover all parts of Sydney, where the population is expected to grow, with the aim of expanding SHAWOOD sales.

Fifth Mid-Term Management Plan Initiatives

The basic and environmental performance and service quality we have developed in Japan have a positive reputation in the Australian market, and awareness of our brand is increasing year by year. In 2020, due to government support measures for homebuyers, demand for housing increased due to owner-occupier demand, mainly among first-time home buyers, and condominium sales at Sanctuary and Melrose Park and house sales have been strong. In 2010, we built a SHAWOOD factory in a suburb of Sydney, enabling us to establish a system capable of stably producing materials suited to the local climate, landscape and other needs. Going forward, we will work to further raise brand recognition with a focus on expanding SHAWOOD sales and selling eco-friendly houses that deploy our expertise in SHINKA House.

Close-Up

Production and Supply by Our Local Factory

Labor shortages have become an issue for Australian society. According to available data, the fill rate for the construction industry is 67%. We believe that Sekisui House's pre-engineered housing can help overcome issues such as Australia's high labor costs and shortage of skilled workers.

Our factory in Ingleburn, a suburb of Sydney, processes materials for SHAWOOD to supply consistently high-quality housing like we do in Japan. The factory has ISO14001 certification, an international standard for environmental management systems, and works to address environmental issues.

We believe that increased supply volume will enable a rollout to the entire Sydney area, thus facilitating highly capital-efficient business operations.




Overseas Business



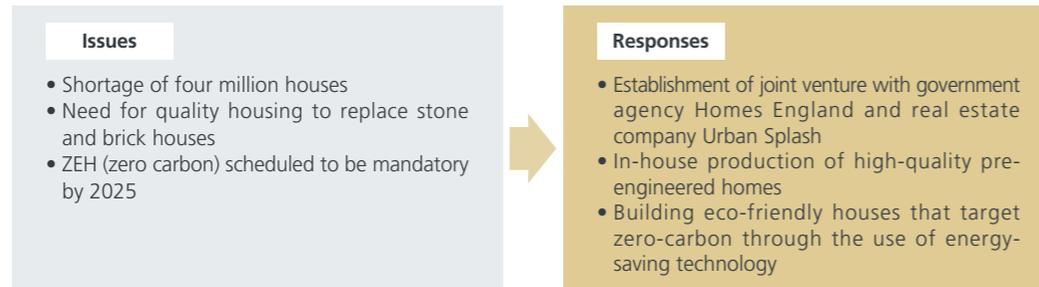
Overseas Business
United Kingdom

Sales of pre-engineered housing in collaboration with a government agency and a local general real estate company

FY2020 Ordinary income
-¥0.8 billion
(Equity method accounting)



Northstowe



Business Overview

While testing potential applications for our pre-engineered housing technology, we will direct our investments to help resolve the country's housing shortage.

Business Environment

As the population steadily grows in the U.K., a substantial housing shortage, said to total four million units, has become a social issue. Meanwhile, because most houses supplied are made with bricks or other materials that require time-consuming conventional construction methods, a number of MMC* builders, who can supply large quantities of housing using factory-shipped materials, have entered the market. The government is also focusing on housing supply, making the U.K. a high-potential market. We will deploy the technologies and expertise in pre-engineered housing we have accumulated in Japan to help revitalize the country's housing market and regions.

* Modern Methods of Construction

Fifth Mid-Term Management Plan Initiatives

In May 2019, we made a full-scale entry into the U.K. housing market by forming a partnership with Homes England, which is the government agency in charge of the nation's housing supply, and general real estate company Urban Splash. We plan to accelerate growth by transferring our technologies and expertise in high-quality pre-engineered housing to Urban Splash's products and factory. Through the rollout of this business, we will help resolve the serious housing shortage in the U.K., meet needs for higher-quality housing that can be constructed more quickly, and contribute to market vitalization. Further ahead, we intend to take on the challenge of helping to resolve social issues in Europe, where the housing shortage is worsening due to factors such as a labor shortages and soaring housing prices.



Overseas Business
China

Developing healthy and safe eco-friendly housing

FY2020 Sales
¥91.8 billion

Operating income
¥14.9 billion



Wuxi Yuqin Residence

Fifth Mid-Term Management Plan Initiatives

Mainly in the cities of Shenyang, Suzhou, Wuxi and Taicang, we conduct businesses including a townhouse business that builds on a track record of multi-unit residential complex projects and eco-friendly housing under our own Sekisui House Yuqin brand, and a condominium business that creates world-class living spaces.

At our completed projects in the Heping and Hunnan districts of Shenyang and in Wuxi, we are stepping up sales to complete closings of the remaining units during FY2021. At the Taicang 2 Project, closings of all of the townhouses have been completed, and the condominiums are currently under construction, with completion and start of closings scheduled for FY2021. For our Suzhou Project, for which closings were completed in FY2019, we will provide after-sales service to residents to strengthen their trust in Sekisui House.



Overseas Business
Singapore

High-value-added development projects with local partners

FY2020 Ordinary income
¥1.7 billion
(Equity method accounting)



One Holland Village

Fifth Mid-Term Management Plan Initiatives

In collaboration with leading local developers, we develop high-value-added condominiums matching the lifestyles of Singaporeans, and build complexes that include commercial facilities and offices. In a housing market that is booming due to success in curbing COVID-19, we will continue to acquire land and carry out high-value-added development.

In this intensely competitive market, we are working to differentiate ourselves from our competitors and raise our presence by incorporating various Sekisui House lifestyle design proposals into our local projects.

Becoming a Leader in ESG Management

Sustainability Vision 2050: Long-Term Goals for ESG Management

In 2016, the Sekisui House Group formulated its Sustainability Vision 2050, with long-term goals for ESG management. In 2020, we established our global vision to “make home the happiest place in the world,” and in 2021, we identified five material issues for management. With each of its businesses working in concert, the Sekisui House Group will address these five material issues with the aim of being a leader in ESG management. In addition, 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.

Themes for Promoting ESG Management

E Environment

- Decarbonized society
- Society in which humans and nature coexist
- Circular economy

To help make life happy for our customers, we promote decarbonization of all our business activities, including shifting to the net zero energy house (ZEH), and integrate proactive initiatives into our businesses that will help preserve biodiversity and recycle resources.

S Social

- Promoting diversity
- Workstyle innovations
- Health and productivity management
- Human resource development
- Respect for human rights
- Contributing to society

We aim to contribute to society by creating a culture that accepts and makes the most of diversity while allowing employees to maximize their abilities in their own way so they can be happy as they grow along with the organization.

G Governance

- Fostering an organizational culture that facilitates innovation and communication
- Strengthening our Group governance system

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.

The Framework of ESG Management

In June 2020, the Sekisui House Group established the ESG Management Promotion Headquarters, which oversees planning, drafting and promotion of the Group’s basic ESG management policies. This reorganization goes beyond the promotion of Group-wide efforts for ESG management to integrate support and coordination as well as collection, analysis and communication of information inside and outside the Group. As such, the new organization shows our determination to gain recognition for the Sekisui House Group as a leader in ESG management in both name and reality.

We have also established an ESG Promotion Committee under the control of the Board of Directors. This committee meets once every three months to evaluate and improve policies related to the promotion of ESG management. It is chaired by the director in charge of ESG, and includes internal members and two experts from outside the Group, adding to lively discussions from various perspectives. The details of ESG Promotion Committee meetings are reported to the Board of Directors for its deliberation.

- Chairperson: Director in charge of ESG
- Outside members: 2
Katsuhiko Kokubu (Professor, Graduate School of Business Administration, Kobe University; Dean of V. School, Kobe University),
Hidemi Tomita (Representative Director, Lloyd's Register Japan K.K.)
- Internal members: General Manager of ESG Management Promotion Headquarters, chairpersons and vice-chairpersons of the three ESG subcommittees (Environmental Subcommittee, Social Improvement Subcommittee and Governance Subcommittee)

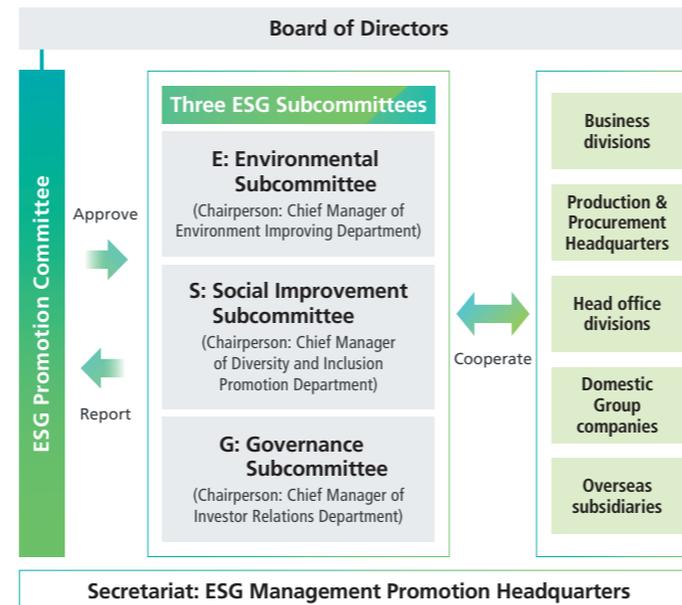
In addition, we have set three themes as essential elements of ESG management: participation by all employees, forward-thinking initiatives, and improvement of our external evaluation. Sekisui House exists within the context of ESG. Each of us will deepen our understanding of ESG management as the basis for all of our corporate activities as we work for the happiness of our customers and society.

Establishment of Three ESG Subcommittees

Under the ESG Promotion Committee, we have established three subcommittees responsible for promotion: the Environmental Subcommittee, the Social Improvement Subcommittee and the Governance Subcommittee.

The chairpersons of each of the three ESG subcommittees are given responsibility for setting targets and KPIs. Working in cooperation with the business divisions, Production & Procurement Headquarters, head office divisions, domestic Group companies and overseas subsidiaries, these three subcommittees will take the lead as the standard bearers for ESG management and carry out effective measures. They will also work to foster understanding and adoption of these measures among all employees through progress reports, communication of feedback on issues, and proposals for improvement.

ESG Management Promotion Structure



Initiatives to Instill ESG Management within the Group

▶ Award 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 six straightforward and 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.”

▶ Conducting Dialogue on ESG

In the Sekisui House Group’s global vision to “make home the happiest place in the world,” “home” does not exclusively mean housing for our customers. For our employees, it can mean their company and workplaces. As such, employee happiness could be considered a foundation of ESG management.

A key element of promoting ESG management is the participation of all employees in dialogue on ESG.

Employees participate in dialogues with others of the same rank under the theme of how we can make employees, customers and society happy through our businesses. During these dialogues, participants become aware of a chain of happiness, in which working for the happiness of our customers leads to contributions to society, leading in turn to the happiness of our employees and business partners, and once again back to the happiness of our customers. Through these dialogues, we also aim to stimulate communication between employees that leads to an open workplace culture that will generate innovation, thus further improving corporate value.

This ESG dialogue initiative, in which our desire for the happiness of others becomes our own happiness, is a way of practicing our love of humanity, which underlies our corporate philosophy.

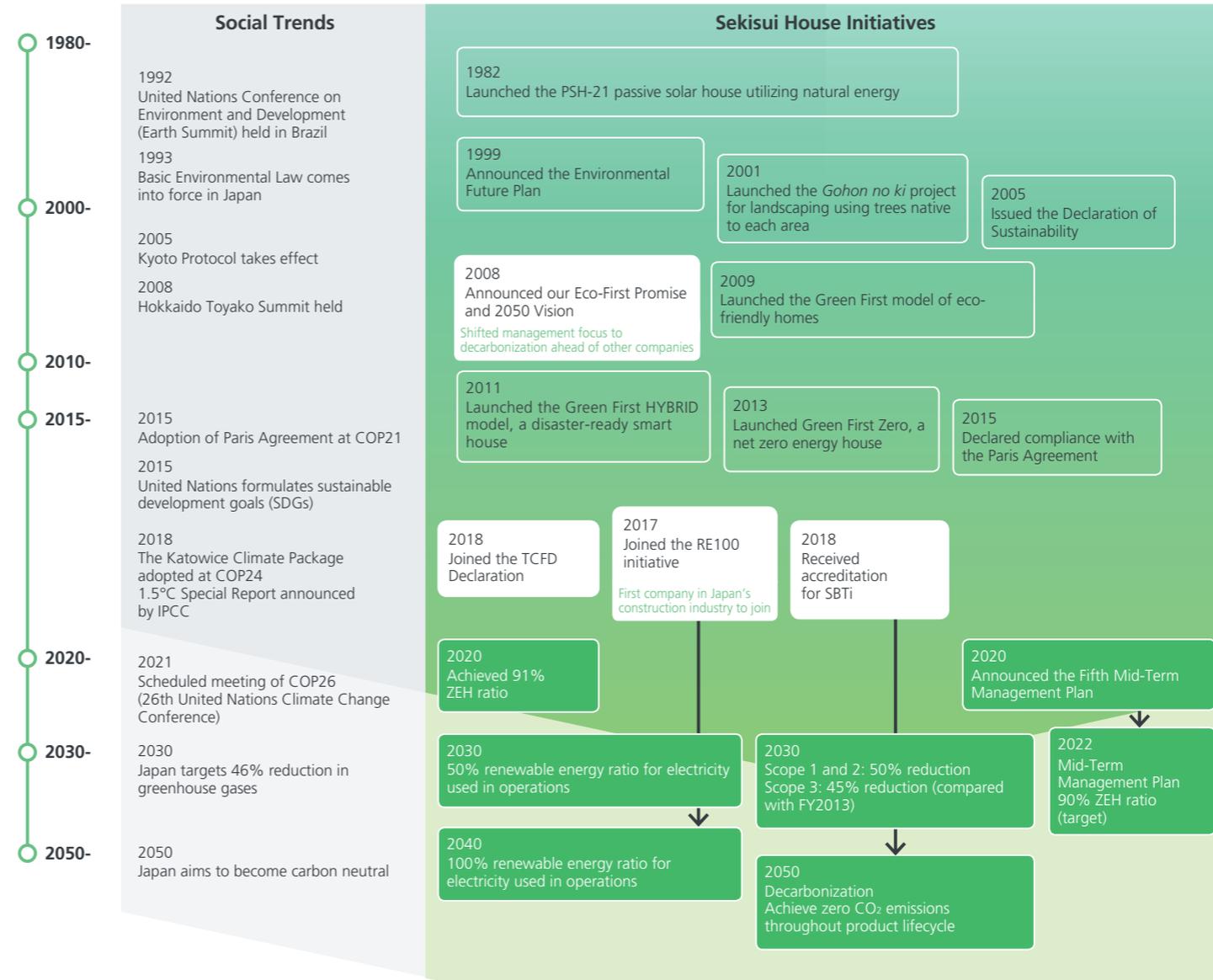
Promoting the Integration of Environmental and Business Strategies to Fulfill Our Mission of Making Life Happy for Customers

Based on the belief that the environment is something on loan from the future and therefore should be handed back in good condition, Sekisui House announced its Environmental Future Plan in 1999 and systematically started various initiatives. This shows that for more than two decades, Sekisui House has been aware of the issue of intergenerational inequity and the need to resolve it. Regarding climate change, in 2008 we were the first Japanese company to issue a decarbonization declaration calling for zero carbon emissions from housing by 2050.

We believe that we do not just sell houses but also help make life happy by doing so. Green First Zero, the net zero energy house (ZEH) we sell, not only contributes to the prevention of global warming, but also has a variety of benefits that help to make customers happy, including improved insulation for comfort and health, and solar power generation for lower utility costs and resilience during power outages. We are also working to conserve ecosystems with the *Gohon no ki* project for landscaping using trees native to each area. The project is popular because it enriches customers' lives by attracting birds and butterflies to their gardens in addition to being environmentally friendly.

In ways such as these, our environmental initiatives are integrated into our business so that the more business we conduct, the greater our contribution to the environment. This is the basic policy behind the initiatives in Sekisui House's environmental strategy.

Progress to Date



Strengthening and Expanding Our Net Zero Energy House (ZEH)

In aiming to help create a decarbonized society, Sekisui House must first work to reduce CO₂ emissions from the housing it sells, which account for around 50% of the CO₂ emitted by its business activities. In other words, it must promote “energy saving in housing.” In line with the Japanese government’s policy of making all newly constructed houses ZEH on average by 2030, we have been selling our ZEH product Green First Zero since 2013. In fiscal 2020, 91% of the newly built detached houses by Sekisui House were ZEH, far greater than the approximately 13% for Japan overall, and the total of 60,843 units we have sold to date is the highest in Japan. The reason for promoting ZEH to this extent is our goal of working to create value for our customers.

For example, by significantly improving thermal insulation we have enabled people to enjoy warmth and comfort in large rooms with no partitions and to take in a view of their garden through large windows. We have also significantly improved energy efficiency with features such as photovoltaic power generation systems and high-efficiency air conditioning and hot water supply. In addition, we work to make houses beautiful. For example, we have developed original roofing tiles that incorporate photovoltaic panels. Installed in numerous buildings, they serve as both functional roofing materials and beautiful design elements. In addition to enabling customers to enjoy comfort and utility bill savings by simply living as they usually do, our designs also add to the beauty of the townscape. In 2020, we began full-scale promotion of these energy-saving initiatives for our Sha Maison rental housing and received orders for about 3,000 units, substantially exceeding the target of 2,500 units for the first year of the Fifth Mid-Term Management Plan. As society in general moves toward decarbonization, ZEH rental housing will meet the needs of the growing number of ethical consumers, and owners can expect long-term, stable management. We are also promoting a shift to net zero energy condominiums and non-residential buildings, as well as considering a rollout in our overseas business.

Net Zero Energy House (ZEH): Targets¹ and Progress

- Percentage of ZEH detached houses**

Target: 90%
Progress²: 91%
 (Cumulative total of 60,843 ZEH detached houses)

- ZEH rental housing units**

Target: 2,500 units per year
Progress³: 2,976 units
 (Cumulative total of 3,806 ZEH units)

- Total ZEH condominium units built**

Target: 540 units
Progress: 32 units

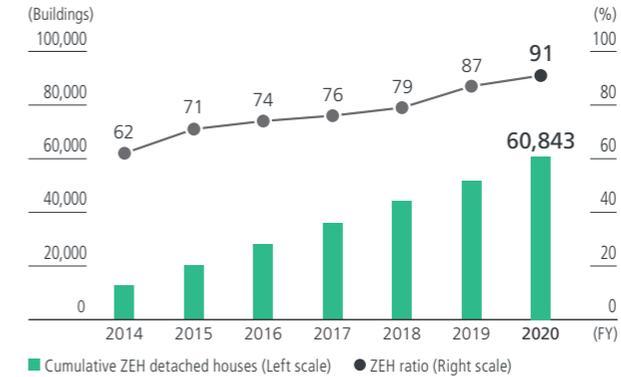
1. Targets for FY2022, the final year of the Fifth Mid-Term Management Plan
 2. Results from April 2020 through March 2021
 3. Results from February 2020 through January 2021



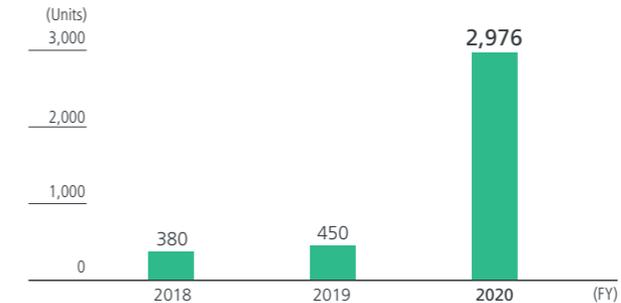
Example of Sha Maison ZEH rental housing (Saitama City, Saitama Prefecture)

Photovoltaic panels mounted on roof

ZEH Detached Houses Progress



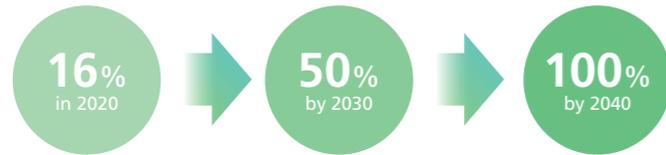
ZEH Rental Housing Progress



Sekisui House, Ltd. received the Grand Prize at the Reiwa 2nd Year Climate Change Action Minister of the Environment Awards sponsored by the Ministry of the Environment in recognition of the Sekisui House Group’s efforts to create a market for ZEH-M rental housing. (Advanced introduction/Active practice category, Mitigation field)

Promoting RE100

Transition to renewable energy for all power used in business activities



We are promoting RE100, a major initiative to reduce CO₂ emissions from corporate business activities by transitioning to 100% renewable sources for the electricity used in business operations. In 2017, Sekisui House was the second company in Japan and the first in the country's construction industry to join the RE100 initiative. Although companies generally achieve their RE100 target through methods such as purchasing non-fossil fuel energy certificates or installing photovoltaic power generation systems, we have adopted a method that entails no additional cost.

As of 2017, when Sekisui House joined the RE100 initiative, photovoltaic panels with a total of more than 700 MW of capacity had been installed on the roofs of customers' homes, with expected annual power generation of 700 GWh or more. Our annual business power consumption is about 120 GWh, so purchasing 20–30% of the surplus electricity generated at our customers' homes can cover our needs.

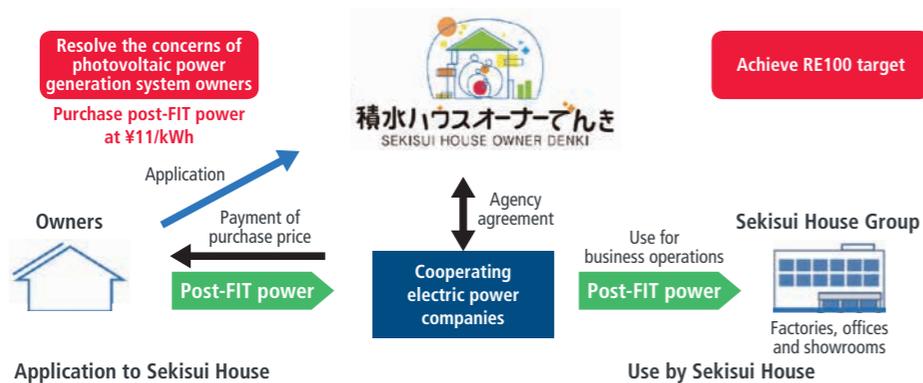
On the other hand, customers who own photovoltaic power generation systems were concerned about a potential loss of income from selling electricity after the end of the feed-in tariff (FIT) program (post-FIT*). We therefore launched Sekisui House Owner Denki, which purchases post-FIT power from customers at the highest rate for use in our own business. This is part of Sekisui House's initiative to improve the environment of the future together with its customers. The number of applications has grown to about half of the homeowners eligible for post-FIT electricity sales, so we expect to achieve RE100 by around 2030, significantly ahead of our initial timeline of 2040.

* Refers to the expiration of the 10-year (or 20-year) period for purchases of surplus electricity by an electric power company under a feed-in tariff (FIT) scheme.

Gohon no Ki Project

Since 2001, Sekisui House has been conducting the *Gohon no ki* project to promote landscaping with greenery that takes local ecosystems into account. "Gohon no ki" means "five trees" in Japanese, and the project concept encourages planting three out of every five trees for birds and two for butterflies. This will link gardens with local nature, helping to conserve biodiversity and create vibrant townscapes. We also provide the *Gohon no Ki Yacho Keitai Zukan* (Wild Bird Mobile Phone Field Guide) for customers to easily check information on how to enjoy and care for the trees planted in their gardens and on the butterflies and birds those trees attract. Customers use their smartphones or other devices to read nameplates with two-dimensional QR codes that have been hung on the trees. Due to positive reception of this initiative, we decided to adopt these tree nameplates as a standard feature from 2020. As a result of this initiative, the total number of trees planted as of FY2020 reached 17.09 million, making biodiversity conservation one of the businesses of Sekisui House, the number one landscaping company in Japan. Furthermore, we have expanded this initiative from detached houses to rental housing and condominiums. In its landscaping business, Sekisui House helps make life happy for customers while contributing to the environment.

Overview of Sekisui House Owner Denki

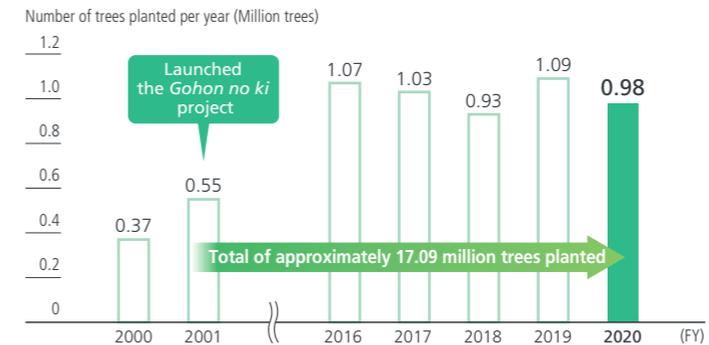


2020 New Energy Awards



In recognition of its advanced model that achieves both services for owners and the RE100 target, Sekisui House Owner Denki's initiative received the Director-General of the Agency for Natural Resources and Energy Prize at the 2020 New Energy Awards sponsored by the New Energy Foundation.

Number of Trees Planted per Year Since the Launch of the Gohon no Ki Project



TCFD: The Sekisui House Group’s Approach to Addressing Climate Change

Section 1

Strategy and Governance for Addressing Climate Change

Since 2008, the Sekisui House Group has been operating with the goal of achieving a decarbonized society. We will sincerely implement measures to address climate change through our businesses in order to realize our global vision to “make home the happiest place in the world.”

The Sekisui House Group’s Approach to Addressing Climate Change

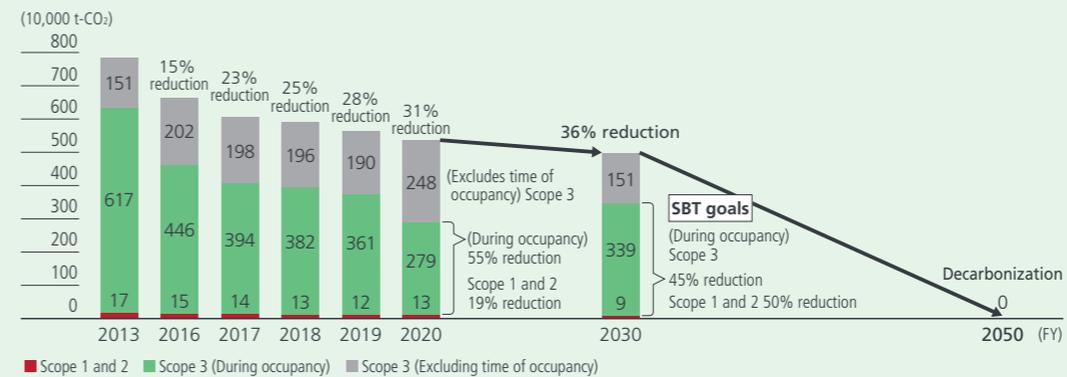
In 2008, the Sekisui House Group announced its 2050 Vision targeting net zero CO₂ emissions from housing, and shifted its management focus to decarbonization. We have already launched various initiatives including the use of renewable energy, with the goal of net zero CO₂ emission balance by 2050 throughout the entire lifecycle of our housing products, from material purchasing to production, sales, occupancy and demolition.

We have set milestones for achieving this goal. By 2030 (compared with 2013), we intend to reduce the Group’s Scope 1¹ direct CO₂ emissions from sources including factories, offices and vehicles by 50%; Scope 2 indirect CO₂ emissions from sources including electricity use by 50%; and Scope 3 CO₂ emissions (Category 11: Housing) by 45%. The Science-Based Target (SBT) initiative² has certified these milestones as science-based targets, and they are aligned with the Paris Agreement’s commitment to limiting global temperature rise to well below 2°C above pre-industrial levels. Our SBTs are not set for a 1.5°C scenario because our Scope 1 emissions include fuel consumption by heavy machinery at construction sites, so we judged that we would have trouble achieving that commitment as a single company. Studies to ameliorate this issue are ongoing.

As an RE100³ member company, we will work to transition to renewable energy for 50% of the electricity we use in operations by 2030, and 100% by 2040. We have begun specific initiatives to achieve these targets (see Table 1), and progress has been good.

1. CO₂ emissions based on category established by the Greenhouse Gas Protocol.
 2. <https://sciencebasedtargets.org/>
 3. <https://www.there100.org/>

Diagram 1: Sekisui House Group Value Chain CO₂ Emission Reduction Plan and Progress



Note: Reduction rates are comparisons with FY2013.

Table 1: The Sekisui House Group’s Main Initiatives and Targets for Decarbonization

Main initiatives	<ul style="list-style-type: none"> Developed and launched energy-saving and disaster-mitigating housing (2004) Announcement of Eco First Promise (2008) Launched the Green First model of eco-friendly homes (2009) Launched Green First Zero, a net zero energy house (2013) Declaration of compliance with Paris Agreement (2015) Joined the RE100 initiative and announced commitment (2017) Joined the TCFD Declaration and received accreditation for SBTi (2018)
2030 target	<p>Achieving SBT goals</p> <p>With the goal of achieving zero CO₂ emissions throughout the housing lifecycle, we aim to reduce emissions by 50% for Scope 1 and 2 and 45% for Scope 3 (category 11: Housing) compared with FY2013 (SBT goal). Also, as a RE100 member company, we will ensure that 50% of the electric power consumed by our business activities is from renewable energy sources.</p>
2050 challenges	<p>Achieve zero CO₂ emissions throughout product lifecycle</p> <p>As a leading company in housing products, we will eliminate CO₂ emissions from the entire housing lifecycle, from materials purchasing to production, sales, occupancy and demolition, including renewable energy usage.</p>

Section 1

Strategy and Governance for Addressing Climate Change

The Sekisui House Group's strategy for these initiatives is premised on increasing corporate value while contributing to the transition to a decarbonized society. We are committed to making life happy for customers by providing safe, secure, comfortable and healthy housing. However, life cannot be happy in a world where natural disasters caused by climate change occur frequently. We must therefore act to mitigate and adapt to climate change in order to realize our global vision to "make home the happiest place in the world." As the world's number one housing supplier, we believe that we have a responsibility to take the lead in implementing relevant initiatives, and that we can contribute significantly.

The Sekisui House Group's Vision and Challenges in Achieving It

As stated in the 2050 Vision mentioned earlier, we believe that the Sekisui House Group must lead the way to a decarbonized society. A major feature of our decarbonization strategy is that it is consistent with our business strategy. For example, we started selling eco-friendly homes in 2009 to address climate change. As a result, we have reduced CO₂ emissions by a significant 86.1% compared with 1990. Moreover, unit price per home has increased by about 30% through 2020 compared to 2008, the year before we began selling eco-friendly homes. At the same time, the percentage of customers indicating in surveys that they were "very satisfied" increased about 10% (rated on a seven-level scale ranging from "very satisfied" to "satisfied," "somewhat satisfied," "neither satisfied nor dissatisfied," "somewhat dissatisfied," "dissatisfied," and "very dissatisfied"). Respondents indicating they were "very satisfied," "satisfied," or "somewhat satisfied" comprised 96% of the total). While our decarbonization strategy cannot be the only factor behind these results, we believe it has contributed significantly.

Making these kinds of specific decarbonization initiatives a component of business growth is crucial for achieving decarbonization. The development of housing with high energy-saving performance will not contribute to decarbonization unless it meets consumer needs and generates sales. The Sekisui House Group emphasizes consumer acceptance in developing and selling such housing. Increasing our brand value and market share while working toward decarbonization will position us for further corporate growth. This approach helps fund the development and marketing of higher-performance housing that addresses climate change. As an RE100 member company, we will also increase the proportion of renewable energy we use in our business processes.

Strategically allocating the right resources at the right time is key to achieving our goals, and predicting the future business environment as accurately as possible is essential to choosing an appropriate strategy. However, climate change makes the future even more difficult to predict because it involves long-term uncertainties. The Sekisui House Group is therefore pivoting to a business that can respond to a broad array of possible scenarios brought on by climate change.

Governance for Addressing Climate Change

The Sekisui House Group has established the ESG Promotion Committee under 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. Addressing climate change is a key task of the committee, which evaluates the adequacy and progress of action policies and reports key concerns to the Board of Directors.

The Company-wide, cross-departmental Environmental Subcommittee reports to the ESG Promotion Committee. Mainly composed of individuals in charge of the head office departments involved in environmental management and the environmental managers of each business division, this subcommittee conducts more granular 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 directors responsible for each business and other managers with routine reports and instructions on the implementation of ESG initiatives.

As part of its Group-wide risk management process, the Sekisui House Group conducts assessments to determine climate change-related risks and opportunities based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

▶ See page 62 for details on the ESG Management Promotion Structure.

Section 2

Scenario Analysis: Risks and Opportunities

We conducted an analysis using the 1.5°C and 4°C scenarios in identifying risks and opportunities that could have a significant impact on the Sekisui House Group's business. The outcomes did not identify any immediate major risks, but did suggest potentially outstanding opportunities arising from progress in the transition to decarbonized products.

Features of the Sekisui House Group's Approach to Climate Change Scenarios

Companies need to transition to decarbonized operations to limit global warming to 1.5°C so that we can halt the progress of climate change. Transition risks are the primary risks in this case, and the physical risks are significantly lower than in the case of 4°C warming. However, the Earth might warm by 4°C even if companies target an increase of only 1.5°C. The Sekisui House Group therefore decided it needed to prepare simultaneously for the transition risks of a 1.5°C scenario and the physical risks of a 4°C scenario. This is the Sekisui House Group's approach to climate change scenarios.

The Sekisui House Group has assessed the overall physical risks from climate change for all of its businesses. At that time, it analyzed the suitability of existing strategies using the 1.5°C and 4°C scenarios, taking into consideration the inherent characteristics and useful lives of assets during current business activities and during future periods of business activity in which we expect to invest resources, among other factors.

Confirmation of the Resilience of the Sekisui House Group's Existing Strategies

Our analysis did not identify any critical threats from risks in transitioning our businesses with the shift to a decarbonized society or from the physical risks of global warming. We have already begun decarbonizing products and addressing abnormal weather with a strategy that encompasses the environmental performance, disaster-mitigation and essential high quality of the housing we provide (see Table 3 on page 69).

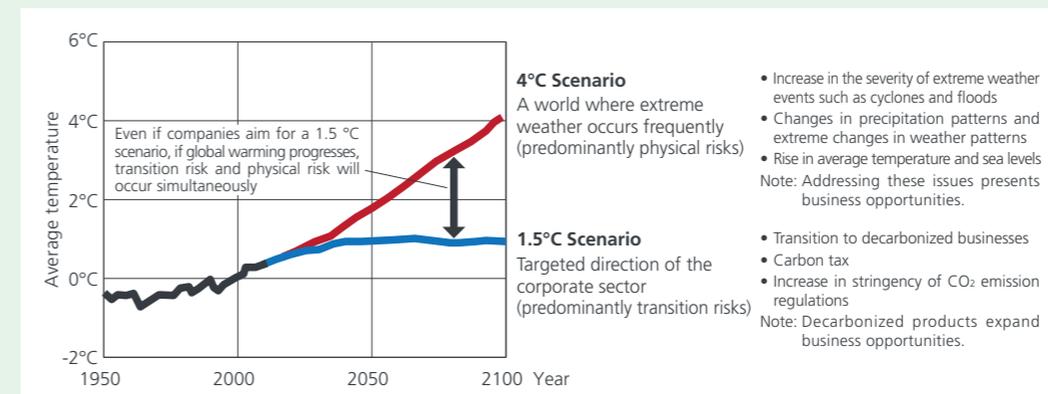
We have transition plans for all existing businesses according to their specific situations to deal with physical risks. Plans for longer than 10 years are also included in related targets.

Table 2: Scenario Analysis Assumptions

Item	Assumptions
Scenario	A business environment in which society has decarbonized according to the 1.5°C scenario (IPCC's RCP2.6 and IEA's WB2D scenarios), but where temperatures have also risen as per the 4°C scenario (IPCC RCP8.5). The nationally determined contribution (NDC) announced by the Japanese government and related announcements are also considered in this scenario. In addition, we conduct assessments of transition risks based on potential scenarios related to legislation, technological development and market conditions, as well as assessments that are consistent with the useful lives of assets and the expected lifespan of business activities.
Subject companies and businesses	All existing businesses of Sekisui House Group companies* (including the entire upstream and downstream of the value chain)
Quantitative and qualitative	Mainly qualitative analysis of all existing businesses of Sekisui House Group companies. Quantitative estimates of the financial impact of material risks and opportunities.
Impact of Japanese market size	The Sekisui House Group generates most of its sales in the Japanese market (about 85% of sales from February 1, 2020 to January 31, 2021). 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.

* The Sekisui House Group consists of Sekisui House and 281 consolidated subsidiaries (as of January 31, 2021).

Diagram 2: 1.5°C and 4°C Scenarios and Approaches



Note: Prepared by Sekisui House with reference to the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report.

Section 2

Scenario Analysis: Risks and Opportunities

Table 3: Climate-related Risks and Opportunities and Potential Financial Impact (Large: ¥20 billion or more; Medium: ¥10 billion or more; Small: Less than ¥10 billion)

Risks	Climate-related Risks	Potential Financial Impact
Policy and regulations	Increase in cost of greenhouse gas emissions	Group-wide initiatives to decarbonize by reducing CO ₂ emissions from business activities are about halfway complete, so the impact of a carbon tax of about ¥10,000/t-CO ₂ would be large. We plan to mitigate this impact and have already launched various initiatives throughout the value chain to do so. Large
	Increase in stringency of emission reporting requirements	We have already structured a system that can respond to an increase in the stringency of emission reporting requirements (additional costs due to changes in reporting rules). Small
	Mandates and regulations for existing products and services	While standards for energy-saving might become more stringent, we have already implemented measures to exceed current standards including for ZEH specifications. Therefore, no new measures are required in the short term. Small
	Exposure to litigation	Extremely low risk because CO ₂ emissions from all of our businesses are not particularly high. Small
Technology	Replacement of existing products and services with low-emission alternatives	We have already addressed this issue in core businesses and will expand initiatives to all businesses. However, there are no development risks and major systemic changes are unnecessary. Small
	Failure to invest in new technologies	Not currently investing significantly in new technologies related to decarbonization. Small
	Cost of transitioning to low-carbon emission technologies	Already incorporated in our products (The production line for our earthenware exterior wall panels needs to be electrified in the future). Small
Market	Changes in customer behavior	We are in the process of transitioning to decarbonized products such as ZEH. We have completed the process for detached houses, and are now extending initiatives to other products such as rental housing and condominiums. Small
	Uncertainty of market signals	The transition to energy-saving, comfortable and resilient ZEH is highly achievable. Small
	Rise in raw material costs	Possible increases in wood procurement costs due to global warming, and in steel costs due to the use of electric furnaces. However, because these costs are currently difficult to quantify, they were not included in the calculations for this report. Not calculated
Reputation	Changes in consumer preferences	Customers are very satisfied with the Sekisui House Group's main product, ZEH. Small
	Criticism of the industrial sector	The housing industry is steadily promoting decarbonization and is unlikely to be criticized. Small
	Growing stakeholder concerns and negative stakeholder feedback	Stakeholders understand the Sekisui House Group's promotion of decarbonization. Small

Risks	Climate-related Risks	Potential Financial Impact
Physical Risks	Acute	Increase in severity of extreme weather events such as cyclones and floods We have already addressed the risk of delivery delays due to construction site damage caused by disasters such as floods by structuring a system to minimize damage with the support of business locations in unaffected areas. Damage has been limited to date. Small
	Chronic	Changes in precipitation patterns and extreme changes in weather patterns
Increase in average temperature		The Group is exposed to the risk of delivery delays due to reduced work efficiency caused by rising temperatures at construction sites and the hazards of heat stroke. However, we are implementing countermeasures such as ensuring sufficient time in construction schedules. Small
Rise in sea levels		The Sekisui House Group's five factories in Japan are over 10 meters above sea level, and the factories in Australia and China are inland, so the Group's production plants are not materially subject to direct damage. However, suppliers may be affected. Not calculated

Opportunities	Climate-related Opportunities	Potential Financial Impact	
Opportunities	Resource efficiency	Relocation to highly efficient buildings Expanding orders for ZEB (not quantified at this time) Not calculated	
	Energy sources	Use of lower-emission energy sources	We plan to achieve RE100 without purchasing Non-Fossil Certificates or incurring other additional costs. We will do this by employing our Sekisui House Owner Denki system through which we purchase electricity from renewable energy generated by post-FIT homeowners for use in Group operations. Small
		Use of supportive policy incentives	Use of ZEH subsidies and others (not calculated at this time) Not calculated
	Products and services	Development and/or expansion of low-emission products and services	Whether society decarbonizes or global warming progresses, we expect demand for ZEH to increase because of ZEH's advantages in either scenario. As the leader in ZEH for both detached houses and multi-dwelling complexes, we therefore expect ZEH sales to increase substantially. Large
		The Sekisui House Group is Japan's leader in ZEH rental housing order volume. We expect to increase income from real estate management fees due to higher rents from the increased number of multi-unit ZEH rental buildings that we lease entirely. Small	

Source: Prepared by Sekisui House with reference to Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017)

Section 2

Scenario Analysis: Risks and Opportunities — 1.5°C Scenario —

1.5°C Scenario: Risks and Opportunities

(1) Opportunities for the Sekisui House Group

The following Sekisui House Group business segments involved in product decarbonization (ZEH and ZEB) are likely to have particularly significant earnings opportunities. These segments will not need major strategic changes in a decarbonizing society and are likely to be core Sekisui House Group businesses. We will continue to pay close attention to changes in market needs, changes in the direction of discussions by the international community, and the emergence of the impacts of global warming, adjusting the strategies of the Sekisui House Group and implementing measures as needed.

1. Built-to-Order Business

▶ Custom Detached Houses (Japan)

The Sekisui House Group launched Green First Zero in 2013. This product meets ZEH standards, which the Japanese government is promoting vigorously as part of its energy conservation policy for housing. The Sekisui House Group has received orders for a cumulative total of 60,843 ZEH detached houses for a ZEH ratio of 91% as of FY2020, greatly exceeding the market ratio of 13.9%.¹

The unit price of our detached houses has increased about 30% since 2008, prior to the full-scale sale of eco-friendly homes. Changing performance requirements for ZEH (installation of additional storage batteries and an increase in energy-saving performance standards) should raise unit prices further.

The Sekisui House Group is also promoting ZEH for the Sekisui House noie brand targeting first-time buyers. ZEH houses accounted for 18% of noie brand orders in FY2020. However, because photovoltaic power generation systems are a primary factor increasing the cost of ZEH housing, we minimize the cost to home buyers by employing a TPO² approach with this brand, installing third party-owned systems.

In this way, the Group will supply detached houses that meet growing ZEH needs in all price ranges.

1. Source: Net Zero Energy House Support Project Survey Presentation 2020 materials. Sponsor: Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry. Executive Organization: Sustainable Open Innovation Initiative
2. Third-party ownership. A business model in which a third-party company leases a photovoltaic power generation system to the homeowner, who can use the power it generates without incurring the initial cost of purchasing the photovoltaic panels



The Sekisui House Group's Green First Zero ZEH detached house

Section 2

Scenario Analysis: Risks and Opportunities — 1.5°C Scenario —

► Rental Housing (Japan)

Approximately 30% of CO₂ emissions from the overall housing sector in Japan come from multi-dwelling complexes. Because the Sekisui House Group aims to decarbonize housing, it is moving forward with the conversion of such complexes to ZEH as a crucial issue.

The Sekisui House Group constructed a Sha Maison rental housing project in Kanazawa City, Ishikawa Prefecture in January 2018. It was Japan's first rental housing complex where all units conformed to ZEH standards. We now construct Sha Maison ZEH brand rental housing throughout Japan. Orders totaled 2,976 units in FY2020, exceeding our annual target of 2,500 units in the final year of the Fifth Mid-Term Management Plan, and the cumulative total of orders received reached 3,500 ZEH units. Our Sha Maison ZEH brand is number one in Japan in terms of the number of ZEH rental housing complexes constructed, accounting for about 40% of the total.³

ZEH adds about ¥600,000 in construction costs to the price of each unit of rental housing, but the decarbonization of society will give ZEH housing ethical appeal among younger people, the core tenant demographic. Many owners have therefore selected ZEH rental housing because ethical consumption supports stable property management.

Today, consumers in Japan are typically unable to find ZEH rental housing to satisfy their demand because it is very scarce. The Sekisui House Group therefore wants to drive the creation of a market by quickly supplying a large volume of units, thus capturing first-mover profits in addition to addressing latent consumer demand.



Japan's first rental housing complex where all units are ZEH (Kanazawa City, Ishikawa Prefecture)

3. Source: Net Zero Energy House Support Project Survey Presentation 2020 materials. Sponsor: Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry. Executive Organization: Sustainable Open Innovation Initiative

Table 4: Advantages of Our ZEH Rental Housing

Advantages for Owners	Advantages for Tenants
<ul style="list-style-type: none"> • ZEH housing can help prevent global warming. • It is high-value-added rental housing that commands higher rents, thus helping to improve rental housing management efficiency. • It will hold its asset value over the long-term as highly competitive rental housing even if ZEH rental housing becomes commonplace as society decarbonizes. 	<ul style="list-style-type: none"> • Tenants can contribute to the prevention of global warming just by living in ZEH housing. • Its high-performance thermal insulation makes life more comfortable and healthier by reducing the risk of heat stroke in summer and heat shock resulting from temperature differences between rooms in winter. • It is expected to contribute to a significant reduction in utility costs through the use of photovoltaic power generated by the rental unit and income from selling electricity. • The photovoltaic power generation system has an emergency electrical outlet to provide electricity on sunny days even during a power outage.

2. Supplied Housing Business

► Remodeling (Japan)

The Sekisui House Group promotes *Idocoro Dan-netsu* location-based heating to enhance the thermal insulation in key portions of homes built decades ago that have low thermal insulation performance, creating a comfortable indoor environment equivalent to that of newly constructed homes. We also upgrade such homes by installing the latest energy-saving equipment and photovoltaic power generation systems. Remodeling is a challenge in Japan because tax law reduces building value to zero over approximately 20 years. However, in promoting energy-saving remodeling, we use SumStock, a mechanism for properly evaluating the asset value of buildings, shared among major prefabricated housing manufacturers.

Japan has more than 50 million units of housing stock. The household sector accounts for 15.5%* of Japan's total CO₂ emissions. Therefore, in order to decarbonize this sector, measures to save energy in existing housing stock are even more important than for new housing construction. That is why we believe that remodeling to save energy will be central to future decarbonization policies. With sales of ¥141,090 million in FY2020, accounting for about 5.8% of net sales, this segment offers outstanding opportunities for business expansion.

* Source: National Institute for Environmental Studies, "Japan's National Greenhouse Gas Emissions in Fiscal Year 2019" (Energy-related CO₂ emissions from each sector after allocation of power and heat)

Section 2

Scenario Analysis: Risks and Opportunities — 1.5°C Scenario —

► Real Estate Management Fees (Japan)

The Sekisui House Group's real estate management fees business leases entire rental buildings from their owners for a fixed monthly payment and subleases the rental units to tenants. Future increases in tenant rents will therefore help increase segment earnings. The Sekisui House Group's Sha Maison ZEH rental housing features energy saving, disaster resilience and essential high quality. By increasingly meeting the needs of society as it decarbonizes, the Sha Maison brand will provide stable property management for owners and contribute to our supplied housing business.

Regarding potential financial impact, we forecast an increase in earnings due to increases in tenant rents for ZEH rental housing. To date, monthly rent increases have averaged about ¥5,000 per unit. However, since we began the business, Sha Maison ZEH rental housing has been almost fully occupied with highly satisfied tenants. As mentioned earlier, Sha Maison ZEH orders exceeded our target for the Fifth Mid-Term Management Plan, so we forecast that rental income will increase.

3. Development Business

Our condominiums business is also promoting ZEH. In February 2019, we completed the first condominium building in Japan where all units are ZEH. It is in Nagoya City, Aichi Prefecture. In FY2020, we completed two additional ZEH condominium buildings, and all units have been sold. Several more such buildings, including a high-rise, are under construction. ZEH condominiums are not currently receiving as much attention as ZEH detached houses. However, the government intends to promote ZEH condominiums, including high-rise buildings, through a subsidy system. We expect demand for ZEH condominiums to increase because they offer owners the same advantages in comfort, economy and disaster resilience as ZEH detached houses.



Japan's first condominium building where all units are ZEH
(Nagoya City, Aichi Prefecture)

4. Overseas Business (United States, Australia, United Kingdom)

The Sekisui House Group's overseas business continues to grow each year, and currently operates in five countries: the United States, Australia, the United Kingdom, China and Singapore. In the United States and Australia, where we are involved in the homebuilding business, we are not yet selling ZEH models. However, the countries and regions that we serve are moving toward decarbonized housing, as evidenced by California's mandating of higher standards for thermal insulation and the installation of photovoltaic panels for new houses. Given this trend, we foresee potential for ZEH, which is a specialty of the Sekisui House Group.

We are therefore leveraging the Sekisui House Group's strength in eco-friendly housing technology while launching initiatives to grow further in international markets. This includes the development of ZEH aligned with local conditions and introduction of pre-engineered housing technology suitable for local markets. We have already built several ZEH model buildings in Australia and the United States, and are currently enhancing our sales expertise. We have also started studying the feasibility of ZEH sales in the United Kingdom.

Climate change will significantly impact our overseas business. We will fully leverage our design and sales expertise as Japan's leader in ZEH housing while considering consumer and societal needs in each country and region that we serve.

Section 2

Scenario Analysis: Risks and Opportunities — 1.5°C Scenario —

5. Addressing RE100

In the 1.5°C scenario, we project that there will be a strong push for the use of renewable energy to provide electricity for our business operations. Sekisui House joined the RE100 Initiative in 2017 and demonstrated its commitment by creating Sekisui House Owner Denki, a unique Sekisui House Group business model.

Electric power companies in Japan have been purchasing surplus electricity from homeowners with photovoltaic power generation systems at a fixed price for a set period under the feed-in tariff (FIT system). Sekisui House Group purchases surplus electricity from homeowners whose FIT periods have ended (post-FIT homeowners) and uses it for the Group's business operations. This innovative business model will enable us to achieve RE100 at no additional cost to the Group. Initially, we assumed that we would buy surplus electricity from 20% to 30% of Sekisui House post-FIT homeowners, achieving RE100 by 2040. Currently, however, about 50% of Sekisui House homeowners are participating, so we expect to achieve RE100 by 2030, about 10 years ahead of schedule.

Sekisui House Owner Denki eliminates expenses to achieve RE100 that we would incur without it, such as the purchase of Non-Fossil Certificates or other renewable energy certificates. We plan to continue purchasing post-FIT electricity after achieving RE100, and we are studying new business opportunities that would utilize the electricity generated from renewable energy that we purchase to create net zero energy towns, high-rise condominiums or other types of housing.

▶ See page 65 for details on the RE100 initiative.

(2) Sekisui House Group Risk

▶ Risk of Significantly Higher Carbon Emission Costs

The biggest risk for the Sekisui House Group in the 1.5°C scenario is a significant increase in energy costs due to the introduction of a carbon tax. This would impact the entire Sekisui House Group value chain. In response, the Sekisui House Group has set SBT targets and is implementing various initiatives to reduce CO₂ emissions.

Most of the CO₂ emissions in the Sekisui House Group value chain are Scope 3 (Category 11: Housing), accounting for about 52% of the total. This is because the energy is consumed during occupancy of the housing we have constructed, so the Sekisui House Group is not directly subject to an associated carbon tax liability. However, as the Sekisui House Group's housing is essentially energy-saving, CO₂ emissions per housing unit are low, so the carbon tax burden on owners is small.

The next largest source of CO₂ emissions is the manufacture of materials we procure, accounting for about 38% of the total. This is the amount emitted by building material manufacturers, and the Sekisui House Group faces challenges in directly reducing these emissions. In FY2020, we began requesting our suppliers to take specific measures to address climate change. We plan to promote decarbonization in this category in collaboration with our many suppliers who are on board with the concept.

The remaining 10% or so is CO₂ emissions from business activities such as design, development and manufacturing. In this category, we are working to reduce emissions by converting to LED lighting in offices and employing electricity generated from renewable energy sources based on RE100. We are installing energy-saving equipment in our factories on an as-needed basis, and are replacing our fleet of sales vehicles with highly efficient models. In the short term, we can transition to hybrid gasoline vehicles at low incremental cost. In the long term, we project no major financial liability from transitioning to electric vehicles and using renewable electricity. We will continue to reduce total CO₂ emissions to minimize the impact of the carbon tax.

▶ Other Risks

Greenhouse gas emission regulations will tighten as society decarbonizes, making structural steel materials more expensive or perhaps even difficult to obtain. Should steel materials become difficult to procure, we will collaborate with the steel industry, focusing on initiatives such as the Commitment to a Low-carbon Society while proactively working to reduce the amount of steel materials we use by increasing their strength. In addition, given the 2.5 million units of housing stock that the Sekisui House Group has constructed since its establishment, it could conceivably collect structural materials when dismantling such stock and process those materials for reuse.

Section 2

Scenario Analysis: Risks and Opportunities — 4°C Scenario —

4°C Scenario: Risks and Opportunities

In the 4°C scenario, we foresee a situation in which the physical risks of abnormal weather are unavoidable despite the transition to a decarbonized society. Based on an analysis of the risks related to increasing severity of natural disasters and continuing temperature rises, we projected risks such as flood damage at some factories, damage at construction sites, and the hazards of heat stroke. However, we have implemented measures to cover most possibilities and can realistically deal with other issues that arise, and therefore found no major risks. On the positive side, the resilience of ZEH housing against natural disasters and rising temperatures should prove to be a strength that creates business opportunities in the 4°C scenario.

(1) Sekisui House Group Risk

► Risk of Increasing Severity of Natural Disasters

We have identified business continuity risks from increasing severity of natural disasters such as large typhoons and floods. These risks include damage to branches and construction sites, and disruption of the supply chain.

The Sekisui House Group does business everywhere in Japan except Okinawa Prefecture. We have already structured a business continuity system that can address a disaster in a given area with the support of unaffected areas. Our factories are geographically dispersed, and the risk of concurrent flood damage is low. Therefore, our factory network can supply many materials even if one factory is damaged and cannot operate. In addition, we are mitigating the risk of damage to factories of material manufacturers outside the Sekisui House Group by purchasing from multiple manufacturers and producing materials at multiple locations as a general rule. The Risk Management Committee is responsible for managing and implementing business continuity planning (BCP).

We calculated potential damage to Sekisui House's five factories in Japan using river flood hazard maps and inland flood models to estimate possible inundation depth. Our calculations showed that excluding the Hyogo Factory, four factories are exposed to the risk of flood damage, and of these four, the Kanto Factory is exposed to the greatest risk of damage. In 2020, a more detailed analysis of the Kanto Factory based on the IPCC-RCP8.5 scenario estimated the potential damage to this facility at ¥25.6 billion and confirmed that this amount is covered by existing insurance. In addition, our five factories in Japan are located over 10 meters above sea level, so they are not currently exposed to the risk of inundation due to a rise in sea levels. Overseas factories in Australia are inland, so they are also not exposed to the risk of inundation due to a rise in sea levels.

Sekisui House has already made basic design changes in the housing it supplies to address the projected increase in maximum rainfall and maximum wind speed, so there is no related financial liability. The increasing frequency of abnormal weather events in turn increases the need for highly resilient, disaster-mitigating housing. The Sekisui House Group led the industry in developing and launching energy-saving, disaster-mitigating housing in 2004, and our core Green First Zero brand continues to incorporate these features.

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 considers climate change a major risk and will continue to study how to deal with it.

► Risk of Chronic Abnormal Weather (Rise in Temperature and Sea Levels)

A continuing rise in global temperature increases the risk of heat stroke at construction sites. Higher temperatures lower the efficiency of workers at construction sites, and occupational accidents such as heat stroke and financial penalties due to construction delays are projected.

We therefore thoroughly implement basic measures to prevent heat stroke. We educate construction workers about this condition and recommend they take sufficient breaks, rehydrate appropriately, and wear hats for shade and work clothes that have built-in fans. In addition, we determine construction schedules with sufficient break time, regardless of the season. We protect the safety of construction workers by considering various measures, including monitoring physical condition using vital sign sensors and installation of air conditioners at construction sites.

Section 2

Scenario Analysis: Risks and Opportunities — 4°C Scenario —

► Risk of Significant Increase in the Stringency of Laws, Regulations and Policies

In the 4°C scenario, the impact of laws, regulations and policies would be limited at first, because their stringency would not have increased significantly. However, we project that subsequently, public opinion will shift to decarbonization, and the stringency of laws, regulations and policies will greatly exceed that of the 1.5°C scenario as global warming progresses and people witness enormous damage. However, in Japan the Sekisui House Group already has an outstanding record as the leader in the construction of ZEH housing that features excellent energy-saving and resilience to disasters. If the impact of climate change becomes more pronounced and the stringency of regulations increases, we will be the first in the housing industry to respond.

Similarly, the unit cost of the carbon tax in the 4°C scenario may be even higher than that assumed in the 1.5°C scenario. We would work to address this issue by quickly reducing total CO₂ emissions through various initiatives to achieve RE100 and SBT certification targets.

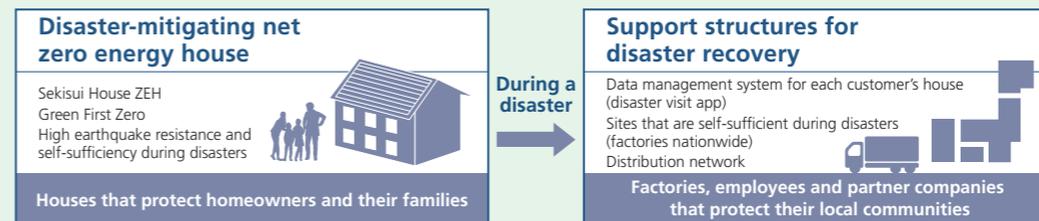
(2) Opportunities for the Sekisui House Group

► Overall Housing Business

In the 4°C scenario, we expect housing damage to increase due to the consequences of global warming, including floods caused by large typhoons and heavy rain. To deal with this, the Sekisui House Group has already enhanced the disaster resilience of its housing products, and believes that opportunities will increase for them to be selected to replace damaged buildings. In fact, many customers have selected our housing products to replace buildings damaged in earthquakes, because they have excellent earthquake resistance. They have not collapsed or otherwise suffered major damage from earthquakes.

In 2004, the Sekisui House Group became the first Japanese housing manufacturer to sell energy-saving, disaster-mitigating housing* that can provide electricity, water, and food for one week, meaning that people can remain at home in the event of a disaster. This product has evolved further into Green First Zero+R (Resilience), which is a disaster-mitigating net zero energy house with enhanced resilience from the Sekisui House Group's disaster support system. For these reasons, and because of our design and sales expertise and the low probability that our factories and other

Features of Green First Zero+R



infrastructure will require additional capital investment, we will have a competitive advantage if highly resilient ZEH becomes mandatory.

Another concern in the housing we sell is the risk of heat stroke. However, many of our detached houses are ZEH, enabling owners to mitigate such risk by using air conditioners without worrying about electricity bills or CO₂ emissions because the electricity comes from a photovoltaic power generation system. This also applies to ZEH rental housing. Occupants of rental housing generally do not have access to photovoltaic power generation systems, but those living in ZEH rental housing have access to the same stress-free cooling as owners of ZEH detached houses, thus reducing their risk of heat stroke.

ZEH allows people to live with peace of mind even in the event of increasingly severe natural disasters due to climate change and persistently high-temperature climates. We therefore expect market needs for ZEH to increase for both detached houses and rental housing. As an early proponent of ZEH housing that has already built its brand, the Sekisui House Group should be able to increasingly leverage its market advantages.

The resulting increase in sales should be equivalent to the opportunity in the 1.5°C scenario.

* Our energy saving, disaster-mitigating housing won the 2005 Grand Prize for Energy Conservation (currently sponsored by the Energy Conservation Center, Japan)

Section 3

Future Issues for the Sekisui House Group

As indicated in the foregoing, the Sekisui House Group has already implemented countermeasures to address projected risks from climate change and therefore will not incur a significant financial burden related to such risks going forward. We will steadily implement initiatives to help realize a decarbonized society by 2050.

Identification of Major Risk Factors That Have a Large Financial Impact

Our studies identified risk factors that we should monitor as data for use in planning strategies. The main ones are as follows.

- Increase in stringency of energy efficiency laws and regulations for decarbonization and increasing market needs for decarbonized housing
- Introduction of a carbon tax by national governments
- Standardization of ZEH outside Japan
- Impact of increasing severity of natural disasters and rising temperatures on business continuity

The Sekisui House Group will continue to monitor the major risk factors that have a large financial impact as identified in this analysis to ascertain whether we can continue steady, ongoing promotion of decarbonization. We will also ensure that our governance system makes us accountable for doing so.

Climate change involves many uncertainties, so we need to gather a broad range of intelligence from outside the Group. The Sekisui House Group demonstrates leadership in the international community through Sekisui House's participation in the Conference of the Parties to the United Nations Framework Convention on Climate Change, and is the only private company in Japan to have membership in the Global Alliance for Buildings and Construction (GABC). Through such associations, we will continue to focus on stakeholder engagement.

Issues to Be Addressed in the Future

Formulating a CO₂ emission reduction plan the entire Sekisui House Group value chain is an issue we must address in the future. Over the medium-to-long-term, we must reduce CO₂ emissions at construction sites by working with construction companies to reduce gasoline consumption of the vehicles of their workers while waiting for heavy machinery manufacturers to develop electric heavy machinery. In addition, building material manufacturers must implement initiatives to reduce CO₂ emissions associated with the manufacturing and transportation of the materials we procure from them. However, each house uses products from a large number of building material manufacturers, and each building uses different types of products. Moreover, many companies, including small and medium-sized enterprises, are involved in making a single building material. Conversely, building material manufacturers also supply their products to multiple housing companies. Therefore, to reduce CO₂ emissions from building materials, the entire building materials industry must be decarbonized.

We will continue to incorporate the latest information on risks, further quantify risks and improve accuracy, with the goal of scenario analysis that will be more useful in formulating strategies and financial plans. Our mission as a Group is to contribute to the transition to a sustainable society. We will continue to collaborate with external initiatives such as SBT and RE100 in steadily promoting our decarbonization efforts.

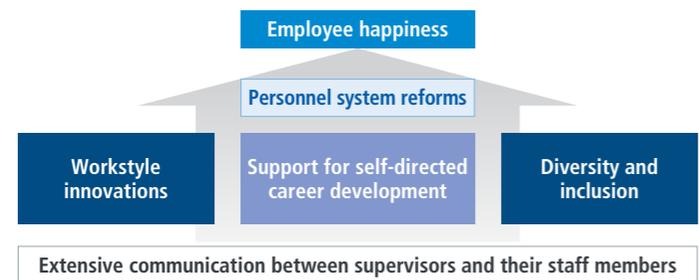
TCFD Recommendations

Please refer to the following for our disclosure items according to the TCFD recommendations.

A Human Resources Strategy to Sustain the World's Happiest Company

To provide new value to our customers and society as a partner in creating happiness, it is important to establish an environment where employees can work happily and enthusiastically. We are implementing a human resources strategy based on three core measures to make Sekisui House the world's happiest company.

The first measure is diversity and inclusion. In 2006, we established a Diversity Development Team (currently the Diversity and Inclusion Promotion Department) to promote diversity as a management strategy. With the establishment of the Promotion of Employment of Persons with Disabilities Office in 2020, we are working to further promote employment and expand opportunities for active participation. The second measure is workstyle innovations. We have established a work environment and support system that help employees work enthusiastically based on a healthy balance of work and private life and have enabled flexible workstyles that help them fully display their skills according to their respective situations. The third measure is self-directed career development. We have made 2021 the kickoff year for our personnel system reforms, and we are supporting the career autonomy of our employees with the introduction of a highly transparent evaluation system and career interviews based on extensive communication between supervisors and their staff members. Rather than having the Company take the lead in career development, we aim for a corporate culture in which employees define their own career vision and are highly motivated to achieve it by taking on challenges independently.



Diversity Key Performance Indicators (KPIs)

Sekisui House Group (Consolidated) ¹		Unit	FY2016	FY2017	FY2018	FY2019	FY2020	FY2022 (Target)
Number and ratio of female managers		People (%)	141 (2.79%)	158 (2.94%)	176 (3.10%)	206 (3.44%)	236 (3.79%)	260 ⁶
Number and ratio of full-time female employees		People (%)	5,142 (24.2%)	5,431 (25.0%)	5,657 (25.7%)	5,930 (26.4%)	6,225 (27.3%)	(28.0%)
Number and ratio of new female university graduated hires		People (%)	237 (41.6%)	266 (40.3%)	250 (37.7%)	281 (42.0%)	305 (41.6%)	(42.0%)
Female officers	Ratio of female directors to total directors	Consolidated	—	—	—	1/150 (0.67%)	1/119 (0.84%)	3 or more
		Non-consolidated	—	—	—	1/11 (9.09%)	1/12 (8.33%)	—
	Ratio of female Audit & Supervisory Board members to total members	Consolidated	—	—	—	1/8 (12.50%)	1/8 (12.50%)	—
		Non-consolidated	—	—	—	1/6 (16.67%)	1/6 (16.67%)	—
	Ratio of female executive officers to total executive officers	Consolidated	—	—	—	3/26 (11.54%)	4/28 (14.29%)	—
		Non-consolidated	—	—	—	1/18 (5.56%)	1/18 (5.56%)	—
Male employees' use of childcare leave ²		%	70.0	95.0	100.0	100.0	100.0	100.0
Percentage of employees taking annual paid leave and average number of days of leave taken per person ^{3,4}		%	35.0	39.7	42.2	56.1	46.46	60.0
		Days	6.2	7.1	7.4	9.8	8.44	—
Average monthly work hours per person ^{3,5}		Hours	170.02	168.32	170.26	168.17	176.71	175.5
Average monthly overtime work hours per person ³		Hours	28.15	25.91	24.63	23.33	22.04	22
Ratio of persons with disabilities ²		%	2.20	2.38	2.53	2.61	2.76	2.61

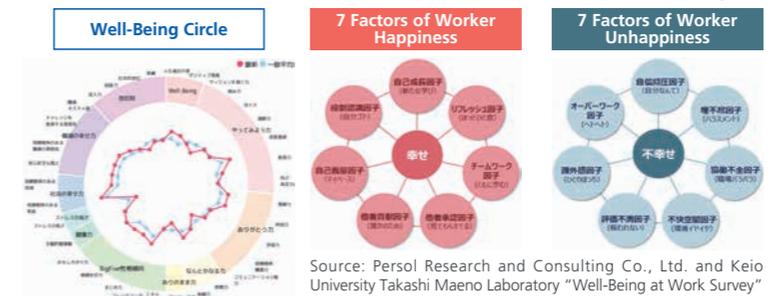
1. Sekisui House, Sekisui House Real Estate companies, Sekisui House Construction companies, Sekisui House Remodeling and Sekisui House noise
 2. Non-consolidated 3. Sekisui House, Sekisui House Real Estate companies and Sekisui House Remodeling
 4. Calculation method changed from FY2020 to include managers. 5. Calculation method changed from FY2020 to include managers and exclude employees on leave.
 6. The target of the action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace is to appoint at least 310 women to managerial positions by FY2025.

First Japanese Company to Conduct a Well-Being Survey That Analyzes the Correlation between Employee and Workplace Happiness

In November 2020, we conducted a well-being survey of all employees of the Sekisui House Group, a total of approximately 27,000 people. Under the supervision of Professor Takashi Maeno of the Graduate School of System Design and Management, Keio University, who is the leading expert in well-being management, we measured the happiness of employees and workplaces from multiple perspectives and analyzed their correlation. By visualizing well-being, we can develop concrete measures for pursuing the happiness of every employee. We will continue our efforts to link the happiness of employees with the happiness of the entire company, and with the happiness of customers and society.

Japan's First Integrated Survey and Analysis of Individual and Organizational Well-Being

- 1. Individual: Diagnosis of well-being**
Diagnose the multifaceted well-being of employees
 - 2. Organization: Diagnosis of worker happiness and unhappiness**
Diagnose happiness and unhappiness in the workplace
- Note: Developed in July 2020



Cultivating the Next Generation of Managers and Leaders

We believe that in order to remain in demand from society as a sustainable corporate Group, the Sekisui House Group must produce a class of managers and leaders who will consistently surpass those who came before. It is therefore important that current leaders take responsibility for cultivating their successors. At the same time, the Sekisui House Group takes an expansive view of its human resources in proactively working to build a human resources pipeline. Measures include training of selected employees and personnel rotation to systematically discover and cultivate next-generation business leaders with an eye to the future.

▶ Building a Human Resources Pipeline through the Human Resources Development Office

We are building a human resources pipeline with three levels: executive officer and operations officer candidates; organization leader (branch manager, head office senior manager, factory manager, etc.) candidates; and young leader candidates.

For executive officer and operations officer candidates, we conduct annual performance evaluations using the management by objectives (MBO) method and 360° personnel evaluations. The relevant director in charge plays a central role in evaluation and training.

For organization leader candidates, we conduct the *Keiei-juku* management training program for selected employees. Here, we provide education over the course of a year to develop participants' thought processes and promote broad-mindedness. To date, 77 people

have participated in the program and 55 have been appointed as organization leaders.

Participants accumulate a wide range of knowledge from leading-edge information on innovation and digital transformation (DX) to financial accounting, behavioral economics and liberal arts. At the end of the program, they make presentations to senior management on their innovative ideas for future organizational management.

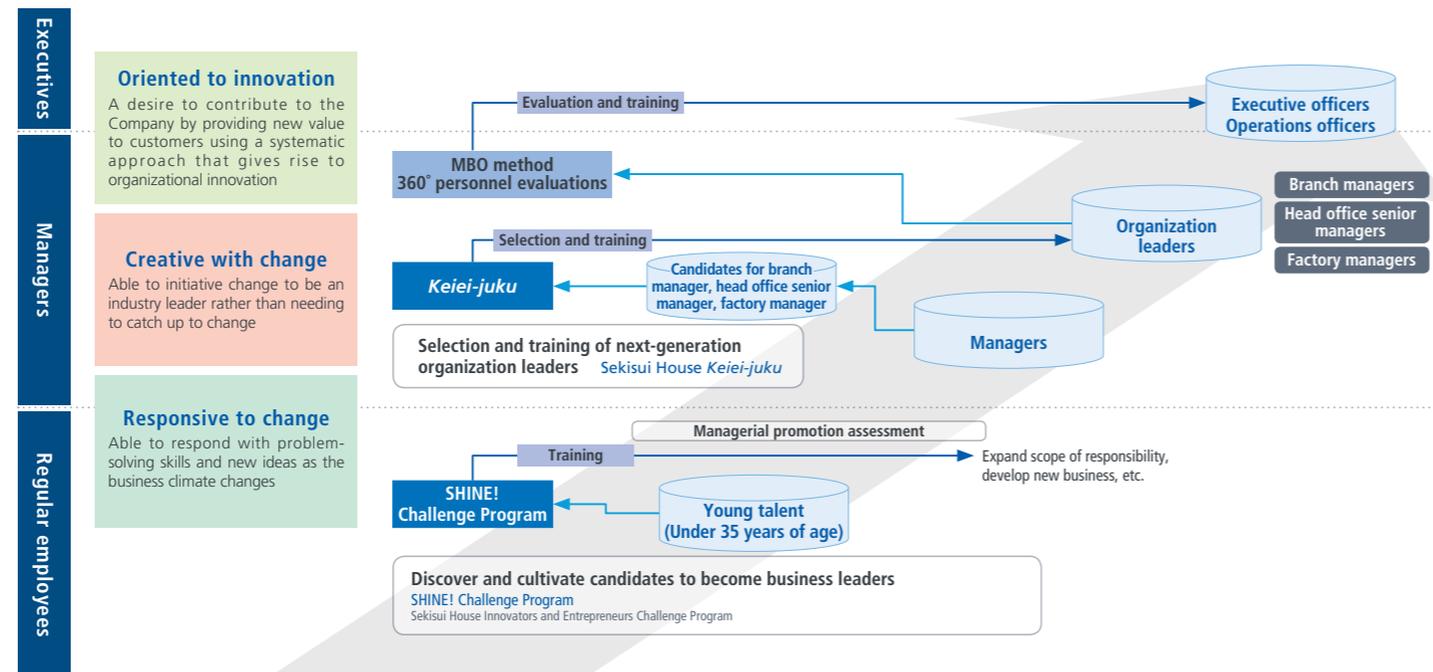
▶ Early Identification and Cultivation of High-Potential Human Resources

For young leader candidates, we conduct the SHINE! Challenge Program to find our next generation of leaders. Through the program, which aims to identify and cultivate young employees (30 to 35 years of age) with leadership potential at an early stage, we provide fertile ground for the concrete development of potential innovators and business leaders. In this program, 15 participants study intensively for nine months under the theme of taking on the challenge of becoming a leader in a new era. Through discussions with managers of venture companies, designers active on the global stage and other business leaders from inside and outside the Group, they encounter stimuli and ideas they are unlikely to experience in their daily work, which helps them to plan and propose the creation of new value for Sekisui House.

Strengthening Recruiting and Hiring Individuals with a Diverse Array of Skills for New Fields of Business

We strengthened our recruiting capability during the COVID-19 pandemic by moving some interviews online and dividing internships into segments, among other measures. We conduct ongoing recruiting of high achievers and skilled specialists from other industries for new business domains. Such hires are active in all departments. We also launched a project team to begin hiring talent in the fields of science, technology, engineering and math, as well as highly skilled IT engineers. We will continue working to secure capable human resources who will serve as the next generation of Sekisui House leaders.

Human Resources Pipeline for Cultivating the Next Generation of Business Leaders



Promoting Diversity

The Sekisui House Group has set the goals of helping to create a better society through its business and becoming a leader in ESG management. As such, promoting diversity is an important theme for improving our social standing. Our policy for promoting diversity encompasses three areas: promoting the active participation of female employees; active participation of diverse human resources; and promoting diverse workstyles and work-life balance. To offer the new value of happiness with workstyles and lifestyles that respond flexibly to changes in society, we are focusing on promoting diversity and inclusion from a long-term perspective.

▶ Promoting the Active Participation of Female Employees (1) Training of Managerial Candidates through Sekisui House Women's College

Since 2014, we have been conducting Sekisui House Women's College training for managerial candidates as a pipeline for appropriately appointing capable female employees to managerial positions. Every year, 20 female manager candidates are selected, systematically and effectively trained under a two-year curriculum and appointed to managerial positions. As a result of this training, we achieved our Group-wide target for FY2020 of 200 women in managerial positions ahead of schedule, reaching 206 in FY2019 and 236 in FY2020. We will continue working to appoint at least 310 women to managerial positions throughout the Group by FY2025, which is one of the targets of our new action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace.



(2) Support for Active Participation by Job Type and Expansion of the Range of Positions

We hold regular training and subcommittee meetings for cultivating and retaining young female sales staff and appointing them as branch managers. The annual nationwide meet-and-greet event for female sales staff that we have held since 2007 is a good opportunity to share success stories, develop careers and build networks. We also focus on training women as specialists in technical positions such as certified Chief Architect as well as for leadership positions. In addition, we are working to expand the range of positions for female employees through measures such as personnel exchanges with Group companies, the Female Onsite Supervisor Support Program and guidance for working during pregnancy in tandem with our systematic appointment of women as onsite supervisors. In addition, we are attempting to expand our work area through measures such as maintaining portable toilets that are easy for women and children to use.



Orihime portable toilet for women

Maternity uniform for engineers

Chief Architects: 13 employees Designers of detached houses, apartments and condominiums who have outstanding design and negotiation capabilities and have earned a high level of customer satisfaction and trust	Platinum Specialists: 5 employees Designers who have high-level expertise and skill in housing for the elderly and welfare facilities, and a considerable track record of high quality
Structural Planning and Design Specialists: 3 employees Designers who have high-level expertise and skill regarding design standards, structural planning and geotechnical evaluation, and the capability to provide highly safe and rational structural design	Chief Constructors: 5 employees Onsite supervisors who have outstanding ability to promote tasks including comprehensive management of operations and supervision of construction, and have earned a high level of customer satisfaction and trust

▶ Creating Workplaces Where Diverse Human Resources Play Active Roles

We are increasing opportunities for our employees to participate energetically in their own unique ways, regardless of factors such as nationality, race, gender, sexual orientation, gender identity, age, disability or educational background. We have newly established a Promotion of Employment of Persons with Disabilities Office, joined The Valuable

500 (V500)¹ and are working to improve the workplace environment with diversity meet-and-greet events attended by employees with disabilities and their superiors. Our activities for LGBTQ understanding include ongoing training and the establishment of a personnel registration system covering both opposite-sex common law marriages and same-sex partnerships as well as a consultation service. As a result, we have received the highest-level Gold Award from the PRIDE Index² for three consecutive years. In addition, human resources with different nationalities and cultural backgrounds play active roles, mainly in our overseas business, and in FY2019 we opened a Sekisui House construction skills training facility in Vietnam. Our support system for non-Japanese technical trainees allows them to work with peace of mind.

1. An international initiative to promote the active participation of people with disabilities
2. Established in 2016 by the private organization work with Pride as Japan's first evaluation index for workplace initiatives for LGBTQ and other sexual minorities.

See our website for more details on our initiatives to promote diversity:
<https://www.sekisuihouse.co.jp/english/company/sustainable/report/social/diversity/>



External Evaluation



▶ Respect for Human Rights

Since 1980, we have held annual training on human rights (human relations training) for all employees. In line with global business development, in April 2020 we announced the Sekisui House Group Human Rights Policy, which is based on international norms and we are conducting human rights due diligence.

In FY2020, we reexamined awareness of human rights risks throughout the Group in Japan, created a risk map and identified risks.

Going forward, we will step up our efforts at domestic and overseas subsidiaries and in the supply chain.

Workstyle Innovations

The primary objective of the workstyle innovations promoted by the Sekisui House Group is to maximize opportunities for employees to leverage their individuality and abilities. We encourage them to work flexibly and autonomously, regardless of where or when they do their work. We will promote further innovations with the aim of becoming the world's happiest company, where everyone finds their work fulfilling and enjoyable.

▶ All Eligible Male Employees Continue to Take at Least One Month of *Ikumen* Leave

Ikumen Leave, a program that started in September 2018 to encourage male employees with children under the age of three to take at least one month of childcare leave, is paid for the first month and can be divided into as many as four separate portions. As a result of measures including setting up a system for arranging leave and holding the *Ikumen* Forum to raise awareness, since the full-scale launch of the program in February 2019, all eligible employees have taken at least one month of *Ikumen* Leave. Moreover, in April 2021, we introduced, a new *Ikumen* Leave program for the eight weeks after childbirth. This will provide eligible male employees with greater flexibility in taking leave during the post-partum period, when the physical and mental burden on the mother is greatest. We will continue working to improve the program's quality while ensuring that all eligible male employees take at least one month of *Ikumen* Leave.

▶ Support for Balancing Work with Childcare/ Nursing Care/Medical Treatment

We have built a system to support not just individual employees but their workplaces as a whole, including measures to balance work and childcare and a program for fulltime work support so that employees can work with peace of mind and make a smooth return to the workplace, raising children without setbacks to their career progress. Every year since 2015, we have held forums on successfully balancing work and childrearing. Participation by childrearing employees of both sexes and by their supervisors has helped change attitudes toward work-life balance and career advancement. We have also established a support system so that employees can continue working while providing nursing care or undergoing infertility treatment or cancer treatment, among other situations.

▶ Promoting Smart Work

By making full use of smart devices, introducing free address office seating and other measures, we promote workstyles that not only improve productivity but also facilitate vibrant communication with no location or time constraints. During the COVID-19 pandemic, we accelerated the promotion of smart work, which included telecommuting and sliding work schedules for all employees, depending on their situations, as well as effective use of remote meetings via web conferencing systems.

▶ Promoting Health and Productivity Management

We have established a system to improve physical and mental health, which has a direct bearing on employee happiness, and promote health and productivity management under a policy that lets employees take the initiative in maintaining their own health. Specifically, we have developed Sekisui House FIT, an original smartphone app for visualization of a "walking challenge" (using a pedometer function), "healthy challenge*" and "health tips" to promote health improvement. Some 19,000 users, or 76% of all employees, use the pedometer function, and results are apparent in their improved body mass indexes (BMI). We are also promoting more advanced health maintenance in ways such as providing opportunities for genetic testing that also includes family members.

* Forecast of health risks using AI to analyze health check results

The Sekisui House Group's "Happiness" Health and Productivity Management

Health and Productivity Management Policy

The philosophy at the heart of the Sekisui House Group is "love of humanity." In addition to establishing systems and workplace climates that help employees find greater happiness through physical and mental health, we embrace that core ideal by promoting workstyle reforms and strive to be a company where employees take the initiative in forming healthy lifestyles.



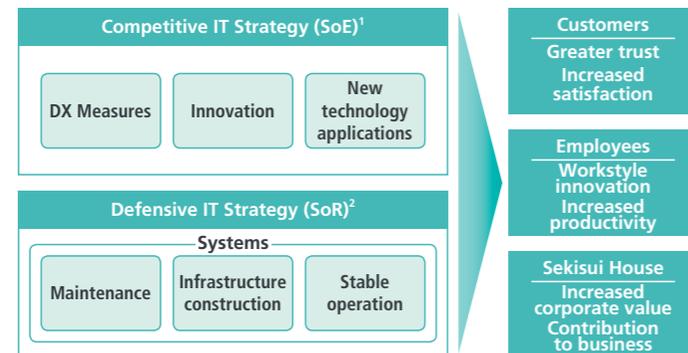
Promoting Diversity at the Sekisui House Group: From Promoting the Active Participation of Female Employees to Workstyle Innovations

Corporate Policies (Vision/Declaration)	2004	2005	2006	2007	2014	2015	2016	2017	2018	2019	2020	2021
Announcement of "S-Project" Medium-Term Management Vision												
Issued the Declaration of Sustainability												
Announced Human Resources Sustainability policy												
Formulated the 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												
• Announcement of Human Rights Policy • Formulation of 30-Year Vision • Establishment of ESG Management Promotion Headquarters												
Formulated the 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												
Sekisui House Initiatives												
Promotion of Women's Careers			Expanded hiring of female sales staff Introduced Retiree Reinstatement Registration program		First year of Sekisui House Women's College	Second year Started Female Onsite Supervisor Support Program	Third year	Fourth year	Fifth year	Sixth year	Seventh year	Eighth year
Workstyle innovations Active participation by diverse personnel	Started a leave program for volunteering		Started paid vacation day carryover system Started the Career Challenge System	Started system for paid vacation time to be taken in hourly increments		Introduced Smart Holidays (paid leave system) Introduced retirement age of 65 year		Introduced Family Friendly Day	Introduced sliding work schedules (staggered shifts)	Established new personnel registration system covering both opposite-sex common law marriages and same-sex partnerships	Started full-scale promotion of smart work Established Promotion of Employment of Persons with Disabilities Office	
Support for Work-Life Balance			Enhanced the childcare support program	Introduced a childcare leave program for male employees	Established work-life balance consultation service Enhanced nursing care support program		Launched telecommuting system	Started support program for early return to work (Nursery School Hunting Concierge) Started fulltime work support program (childcare expenses) Started support for Sunday work	Started special childcare leave program (<i>Ikumen</i> Leave)	Started support for working while undergoing cancer/infertility treatment		Started <i>Ikumen</i> Leave program for the eight weeks after childbirth

Approach to DX

The Sekisui House Group's DX is centered on our businesses. We use digital technologies to transform these businesses. The copious customer information and design data we have acquired and managed over more than 60 years since our establishment provide a foundation for the application of these technologies. While using the data we have accumulated to conduct advanced competitive measures that apply AI, IoT and blockchain technology, we also conduct defensive IT, which entails raising operational efficiency through system-level reforms and upgrades in addition to constructing and stably operating system infrastructure. Furthermore, we are working to improve corporate value by establishing IT governance for strategic control of investment risks and returns in each information system according to set rules.

In recent years, responding to labor shortages and workstyle reforms has become an urgent issue. The COVID-19 pandemic in 2020 necessitated new ways of working, such as telecommuting, that can be done anywhere. Our top priority in addressing this issue was speed. As a result of the smooth introduction of new workstyles, telecommuting is now firmly established at Sekisui House. We have identified work premised on printed documents and personal seals and are promoting more efficient and effective ways of getting these



1. System of Engagement 2. System of Record

tasks done. Moreover, as telecommuting has brought effective use of online communication methods to the fore, we are ambitiously working to improve performance by using new communication tools not just internally but also for meetings and consultations with customers and suppliers.

We will continue to formulate and promote our IT strategy from both a competitive and a defensive perspective to create value for all our stakeholders (customers, owners, tenants, shareholders, employees, suppliers, partner building contractors and others).

Workstyle Innovations

► Expanded Use of Tablets

We supply tablets and mobile phones to employees in sales, after-sales maintenance and other departments. We have also been upgrading to an environment that allows employees to view and input data in our core system for managing the entire sequence of work data for planning, sales, design, production, construction, and maintenance. This has dramatically improved the speed and accuracy of information transmission.

When the Japanese government declared a state of emergency in April 2020, we also distributed tablets to employees engaged in office



Sample in-house tools and apps developed and distributed by the IT Operation Department

work and developed a new remote desktop service for remote connection to their office PCs. Enabling employees to work from home by viewing core system data on their tablets through this new service has led to a 70-80% reduction in in-person work at offices. It has also provided an opportunity for us to discuss discontinuing the use of desktop PCs in offices.

► Advances in Online Sales

While unable to meet directly with customers during the COVID-19 pandemic, our front-line sales staff have come up with many ideas for alternative means of customer contact. Utilizing IT has rapidly given these ideas form, transforming the way we conduct sales. Previously, we visited customers' homes or customers came to one of our locations for meetings, but the spread of online communication has enabled us to build relationships in new ways. For example, we have added the hands-on *Ouchi-de-Shiawase* Planning (Happy Planning at Home) tool to our corporate website, allowing customers to freely create layout simulations online. We also launched a service that creates 360-degree VR environments from those layouts for customers. In addition to traditional face-to-face communication, through online sales activities we are building closer relationships with customers that are only possible in the digital realm.



VRscope® for viewing *Mirai no Wagaya* (Our Future Home).

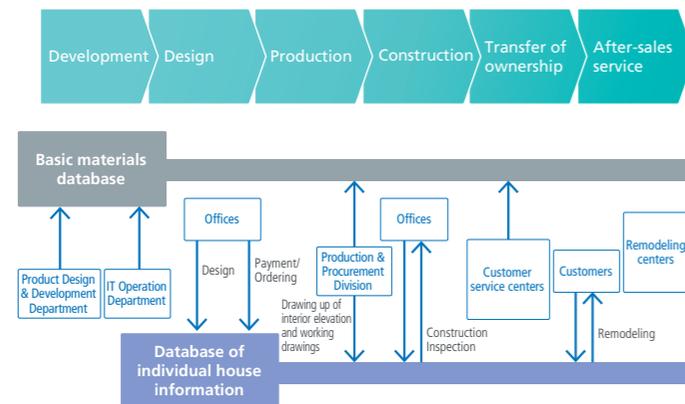
Left and right eye views are generated.

Evolution of Our Business Strategy

▶ Utilizing Our Database of Individual House Information

We conduct integrated management of our customer information and copious design data, which are key information assets that are a source of our competitive advantage. Integrated information management makes our workflow more efficient, optimizes Group-wide operations and enhances Group cooperation. Using our secure IT platform, we have also begun initiatives to generate profits by deploying these assets in new businesses and services. We have developed a database of individual house information, and ensure that our information is accurate and up to date to facilitate greater utilization. We will also use individual customer data in sales activities for integrated management of long-term relationships from initial contact to after-sales service. In addition, we will leverage modeling information from design to production and construction to improve production and construction efficiency.

Integrated Management of Customer Information and Design Data



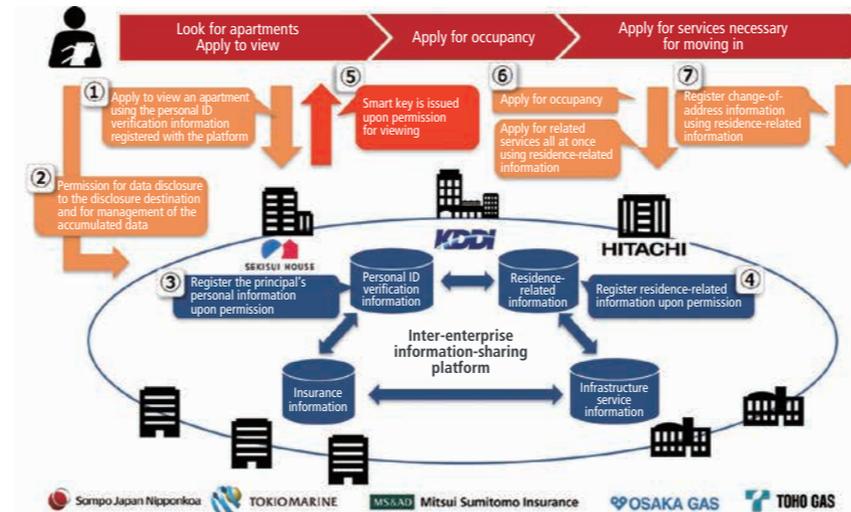
▶ Participation in Blockchain Consortium

Sekisui House is a member of NEXCHAIN, a consortium that coordinates information among corporations. Promoted as a DX implementation project with the support of the Japan Business Federation (*Keidanren*), NEXCHAIN uses blockchain technology to share information across industry and business categories. The consortium is building a real estate platform for realizing Society 5.0, an initiative endorsed by the Japanese government. The consortium's platform also helps to accelerate open innovation by promoting secure utilization of information. Current procedures for each stage from property search and onsite inspection to the rental contract are cumbersome, requiring the preparation of many documents. We have therefore implemented the industry's first one-stop service (according to a Sekisui House survey) for all these procedures, targeting customers who wish to move into our Sha Maison rental housing.

Addressing Security Risks

In recent years, cyberattacks have become more sophisticated and complex, with an increase in security incidents that cannot be prevented using conventional defensive methods. At the same time, amid demand for telecommuting and other new work-from-anywhere (WFA) workstyles, environments for terminals and networks are diversifying and there has been a major transition to work environments that combine multiple clouds. Therefore, in addition to conventional information security measures, we take stronger measures suitable for WFA workstyles and the multicloud era, aggregating important data on a cloud platform and distributing tablets for remote connection to the Company. We have built a robust system to protect customer and company information, including the introduction of a mechanism for remotely disabling lost terminals.

Image of a consortium model for developing an inter-enterprise information-sharing platform



Note: In March 2019, Sekisui House, KDDI CORPORATION and Hitachi Ltd. started collaboration to develop an inter-enterprise information-sharing platform.

Management Team

We are working to build a management team that responds to the market environment to spearhead the achievement of the Mid-Term Management Plan as we sustainably improve corporate value.



Kunpei Nishida

Representative Director
Executive Vice President &
Executive Officer

Strengthening Group Governance

To strengthen Group governance, we will both reinforce our organizational structure and develop our human resources. Delegating appropriate responsibilities and authority to each Group company will promote the development of human resources for management and governance, while operating a “governance network” throughout the Group, including overseas subsidiaries, will support the effective functioning of systematic governance at each Group company.

Yoshihiro Nakai

Representative Director
President & Executive Officer,
CEO

Becoming a Leader in ESG Management

Aiming to become a leader in ESG management, the Sekisui House Group positioned FY2018 as its first year of governance reforms, reviewed various systems and structures, and has been steadily implementing 21 governance reform initiatives over the past three years. Under our new management team, we will continue to conduct various measures to reinforce our management base and strive to improve our corporate value under the watchwords of innovation and communication.

Yosuke Horiuchi

Representative Director
Vice Chairman &
Executive Officer

Accelerating Promotion of ESG Management

The establishment of the ESG Promotion Committee in July 2020 has put in place a system that will accelerate promotion of ESG management. Seriously addressing ESG issues has a direct bearing on a company’s sustainable growth and helps to build a relationship of trust with society. Moreover, with the trend toward ESG investment in global capital markets, non-financial data on ESG matters are regarded as important in making investment decisions, in addition to financial information. The Sekisui House Group will fulfill its responsibilities to the future by promoting ESG management.

Satoshi Tanaka

Representative Director
Executive Vice President &
Executive Officer

For Employee Happiness

We will create a work environment where all Sekisui House Group employees can be happy and work with enthusiasm, and implement a human resources strategy that allows each employee to experience growth. By focusing on the three topics of human resource development, promotion of diversity, and workstyle innovations, we will work to build a framework that can support our employees in making their home here at Sekisui House the happiest place in the world.

Basic Concept

Corporate governance provides the requisite framework for sustaining growth in corporate value while earning the trust of shareholders, investors and all other stakeholders. The Sekisui House Group (the Group) has structured its corporate governance system based on its corporate philosophy, which holds love of humanity at its core. This system enables speedy, sincere management characterized by integrity, and the Group shares the system's basic concept and framework with stakeholders through its Basic Policy on Corporate Governance. The Sekisui House Group positioned FY2018 as the first year of governance reforms. Initiatives to improve corporate value include six specific measures to strengthen the corporate governance system. We are steadily implementing each initiative to build a resilient management base for long-term, sustained growth in corporate value.

Integrity—sincerity and high moral values—is central to our governance reforms. This concept resonates with love of humanity, which is at the core of our corporate philosophy, and with our basic stance of truth and trust. We prioritize integrity in all corporate activities, from the actions of the Board of Directors to

Key Initiatives since 2018

Revised term of office for directors	We shortened the term of office for directors from two years to one year to clarify the management responsibilities of directors, increase opportunities for shareholders to take a vote of confidence, and build a management team that can respond quickly to changes in the business environment.
Abolished the executive advisor/advisor system	We abolished the executive advisor/advisor system to add transparency to our management team and clarify accountability, which in turn further strengthens corporate governance.
Fundamentally revised the remuneration system for officers	<ul style="list-style-type: none"> The General Meeting of Shareholders held in April 2019 introduced restricted stock remuneration and abolished the bonus system for outside directors. The General Meeting of Shareholders held in April 2020 clarified basic remuneration policy, revised the basis for proportional allocation of remuneration and determined appropriate remuneration levels. Introduced performance-related bonuses and a performance-related stock remuneration plan, revised the payment limits under the restricted stock remuneration plan, and clarified the key performance indicators (KPIs) for performance-related remuneration and the calculation method.
Established a whistleblowing system outside Japan	We established and began operation of the Sekisui House Global Helpline with a third-party law firm as a consultation service for subsidiaries in the United States, Australia, the United Kingdom and Singapore (a separate consultation service was established for subsidiaries in China).

personnel evaluation, sales, production and construction, while implementing reforms as a leading company in ESG management.

Note: Details regarding the Basic Policy on Corporate Governance are available on our website.
https://www.sekisuihouse.co.jp/library/english/company/info/gov/Governance_Guideline_E.pdf

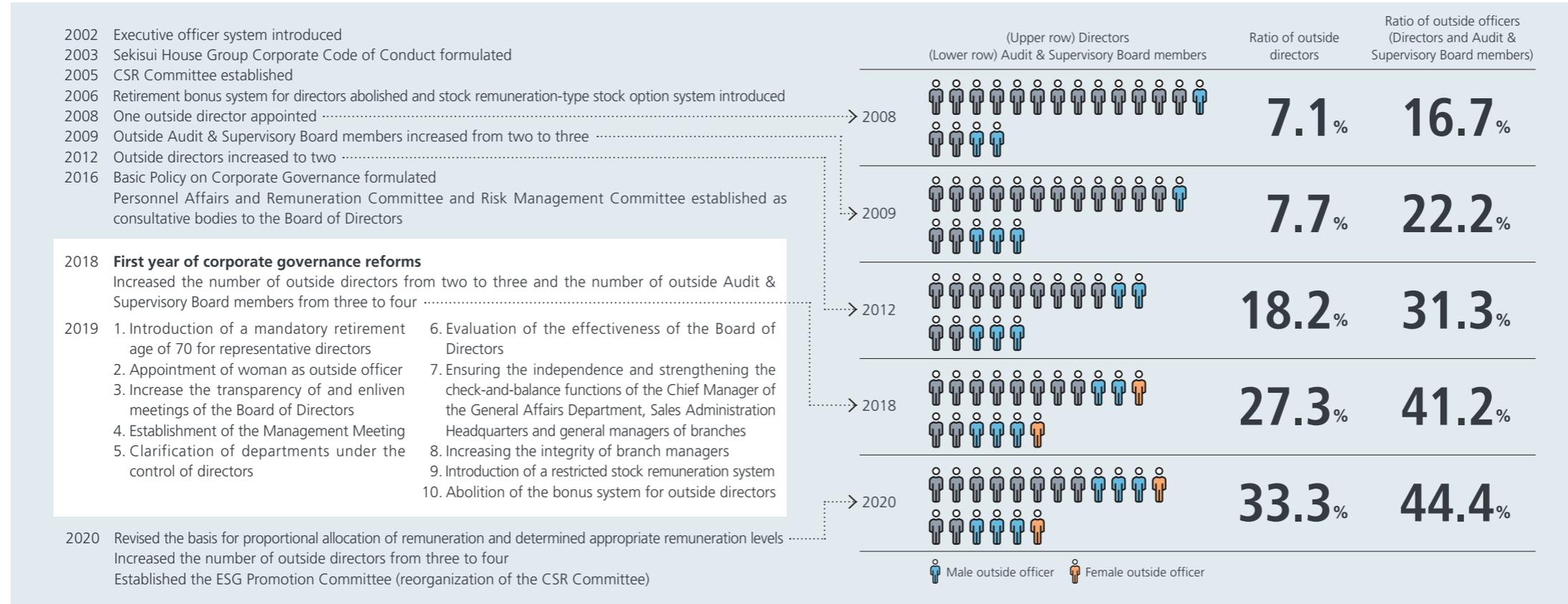
Sekisui House Corporate Pension Fund Announces Acceptance of Japan's Stewardship Code*

To support stable post-retirement lifestyles for its employees, the Sekisui House Group conducts management of pension assets under a basic policy, operation and management of a pension plan based on regulations, payment of pensions and other duties through the Sekisui House Pension Fund and the Sekisui House Affiliated Company Pension Fund, which are independent of the Group, based on an organizational structure consisting of representatives of the Group and of its employees. In April 2021, both funds announced their acceptance of Japan's Stewardship Code.

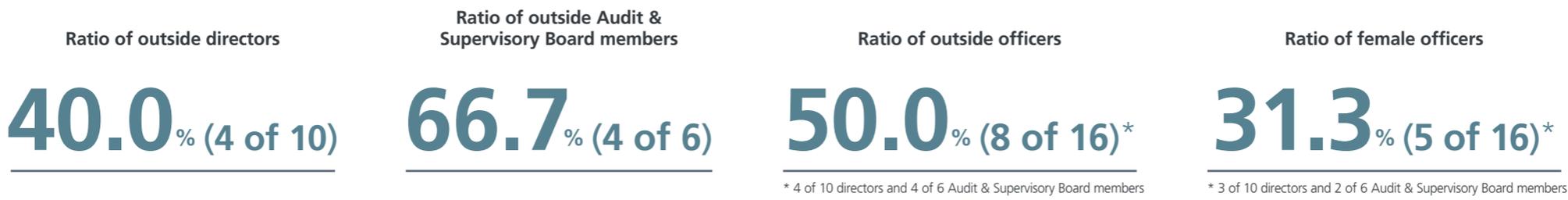
* Principles of conduct required of institutional investors to fulfill their responsibilities as asset management trustees.

Introduced shareholding guidelines	We have established shareholding guidelines for relevant directors to ensure that value is shared continuously with shareholders. As a rule, the requisite base amount of shareholdings that directors must maintain during their terms of office, based on their positions and measured at market prices, is twice the annual basic remuneration for representative directors and equal to the annual basic remuneration for other eligible directors.
Established provisions for recovering stock remuneration (malus and clawback)	In order to minimize excessive risk taking and to ensure sound management, we formulated malus and clawback provisions for recovering all or part of stock remuneration prior to vesting, applicable for specified reasons.
Formulated criteria and procedures for appointing and dismissing senior management	The Personnel Affairs and Remuneration Committee regularly deliberates on basic policies and procedures for appointing internal directors and succession plans for representative directors and other officers.
Improved independence of the Board of Directors	We have increased the ratio of outside directors to 40% of the Board of Directors (four of the ten members) to further strengthen the management supervision function of the Board of Directors and the corporate governance system.

Changes in Governance



Corporate Governance Highlights (As of April 28, 2021)



Direction of Governance Reforms under the Fifth Mid-Term Management Plan

► Direction and Evaluation of Reforms to Date

The Sekisui House Group has been conducting governance reforms that balance enhancing the effectiveness of governance with sustainable corporate growth. Achieving this balance requires active communication and the participation of every employee. Innovation and communication are therefore the watchwords of our initiatives.

We have steadily implemented 21 specific initiatives over the three years since the beginning of 2018, which we positioned as the first year of governance reforms. These initiatives include the introduction of a

mandatory retirement age of 70 for representative directors, establishment of the Management Meeting, and clarification of departments under the control of directors.

To further enhance the effectiveness of corporate governance, we will promote governance reforms for both senior management and business-level management, and foster an organizational culture that will further enhance innovation and communication.

1 Reforms at the Senior Management Level

Under the Fifth Mid-Term Management Plan, we are conducting systemic corporate governance reforms aimed at management innovation through collaborative creation and fair and healthy tension with outside directors.

In FY2020, we worked to enhance effectiveness through a review of the structure of the Personnel Affairs and Remuneration Committee, which is the consultative body for the appointment, dismissal and remuneration of directors and executive officers. We also promoted a moderate separation of the management supervisory and business execution functions, and through reforms to the Management Meeting and the executive officer system worked to facilitate the supervisory function by increasing the independence of the Board of Directors, as well as the delegation of authority.

In particular, we improved the transparency of the Personnel Affairs and Remuneration Committee by not only making the chairperson of each committee an outside director, but also by making the majority of committee members outside directors. Outside committee members also participated in the nomination of director candidates from the stage of selecting skill matrix categories and were actively involved in the process of nominating and dismissing representative directors, which stimulated discussions. These measures markedly improved the committee's effectiveness.

1) Systemic corporate governance reforms and enhanced effectiveness

Aim for management innovation through collaborative creation with outside officers and by engendering fair and healthy tension.

- (1) Review the overall design of the governance system.
 - A. Review the Personnel Affairs and Remuneration Committee system (chairperson and composition) to strengthen its effectiveness.
 - B. Review the role of the Management Meeting in the business execution system.
 - C. Reform the executive officer system and develop candidates for the senior management team.
- (2) Implement a PDCA cycle that uses third-party reviews and draws on outside expertise.
 - A. Have an external third-party evaluate the effectiveness of the Board of Directors on a regular basis.
 - B. Improve adherence to the Corporate Governance Code and shareholder relations activities based on third-party and other reviews.

2) Enhance information disclosure and promote dialogue with stakeholders

Gain the trust of stakeholders through honest and fair information disclosure.

- A. Produce an *Integrated Report* to tell our corporate story.
- B. Further enhance opportunities for dialogue with institutional investors and individual shareholders.

2 Reforms at the Business Management Level

The Sekisui House Group's strengths are a function of the ability of its front-line organization, including the various sales administration headquarters, branches, factories, and Group companies in Japan and overseas. This is because our front-line organization is most aware of operational issues from the perspective of customers. Accordingly, we will implement governance reforms at the business management level to further enhance our front-line capabilities.

In FY2020, we broadened the scope of integrity management training to include employees in positions of responsibility at the head office and factories in addition to executives at the various sales administration headquarters. We also worked for substantive improvement in integrity by conducting management diagnostics (multifaceted observation) and interviews with the directors in charge.

Other initiatives underway include dispatching governance personnel to our sales departments and Group companies, including overseas subsidiaries, to establish a governance network based on cross-divisional lines of communication centered on the Auditing Department, the Legal Department and other administrative departments.

1) Increase integrity among business managers

Achieve governance based on mutual trust through managers with a high level of integrity.

- (1) Clarify requirements of business managers and establish and strengthen systems for their development.
- (2) Broaden the scope of those subject to integrity management training (including head office employees in positions of responsibility and Group officers).

2) Strengthen Group governance systems

Foster mutual trust among Group companies based on the corporate philosophy.

- (1) Establish a governance system that will maximize management synergies for the entire Group.
 - A. Clarify the authority and responsibilities of the parent company and subsidiaries and reflect these in the design of the organization.
 - B. Build a network linking the administrative headquarters of the parent company and subsidiaries, and establish lines of reporting.
- (2) Strengthen the development of human resources and allocate them appropriately.
 - A. Strengthen development of governance-related human resources. (Recruitment from outside the Group, exchange of human resources among Group companies) (Integrity + Experience and Knowledge + Ability to Act)
 - B. Allocate such human resources appropriately, including to overseas subsidiaries.
- (3) Promote cooperation among auditors at the parent company and at subsidiaries.

Progress of Corporate Governance Reforms

The governance component of our ESG strategy for the Fifth Mid-Term Management Plan entails reviewing the overall design of our governance system, strengthening the effectiveness of the Personnel Affairs and Remuneration Committee, and reviewing the role of the Management Meeting in the business execution system. We are reforming the executive officer system and developing senior management team members.

► Strengthening the Effectiveness of the Personnel Affairs and Remuneration Committee

Following the General Meeting of Shareholders in April 2020, we reviewed the structure of the Personnel Affairs and Remuneration Committee, making outside director Yukiko Yoshimaru chairperson and three of the five committee members outside directors, a majority. Under the leadership of Ms. Yoshimaru, the committee met 11 times between May 2020 and April 2021, and had lively discussions focused on the following priority issues.

► Priorities for the Personnel Affairs and Remuneration Committee

The following initiatives have been priorities for the Personnel Affairs and Remuneration Committee since May 2020.

1. Clarification of the functions and structure of the Board of Directors

2. Reorganization of the skill matrix

3. Policy and process for selecting new outside director candidates

4. Process for appointing the President & Representative Director

5. Reform of the executive officer system

6. Development of senior management

1. Clarification of the functions and structure of the Board of Directors

- Medium-to-long-term management strategies and plans and management supervision are functions of the Board of Directors. Our objective is moderate separation of management supervisory and business execution functions through the delegation of authority for short-term and segment-level business execution.
- We have increased the ratio of outside directors to 40% and enhanced independence to further strengthen their management supervisory function of the Board of Directors.
- We reviewed the role of the Management Meeting, which was formerly a body for deliberation of matters by internal directors prior to their approval at Board of Directors meetings. We have promoted the delegation of authority for business execution by expanding the functions of the Management Meeting to allow entrusted executive officers (managing officers and above) to make resolutions regarding business execution.

2. Reorganization of the skill matrix

- We have reorganized the management strategy and planning skill set for selecting director candidates based on the three perspectives of our global vision to make home the happiest place in the world, and we have clarified the reason for choosing each skill category.

Perspectives used as a basis for selecting director candidates

1. Aim to be a leading company in ESG management
→ Knowledge and accomplishments in ESG, and promotion of a diverse Board of Directors
2. Propose happiness through the integration of technologies, lifestyle design and services
→ Knowledge, accomplishments and management experience in the consumer service sector
3. Aim to make Sekisui House technologies the global de facto standard
→ Knowledge, accomplishments and understanding of and experience in promoting innovation in the global business environment

Reorganization of the Skill Matrix

Reexamination of the skill matrix based on management strategies and plans, and clarification of the reasons for choosing each skill category.

Skill Category	Reason for Selection
Corporate management Business strategy	We are a leading company in the housing industry and have constructed a cumulative total of 2.5 million dwellings. In order to formulate sustainable growth strategies in a drastically changing business environment, we need directors with management experience and a proven track record in housing, construction and urban redevelopment. In addition, in order to realize and promote our global vision of proposing happiness through the integration of technologies, lifestyle design and services, we need directors with management experience and a proven track record in different industries, especially in the consumer service sector for health, connectedness and learning.
Overseas business International knowledge	In order to formulate growth strategies and provide management supervision for our overseas business, which is a growth segment, we need directors with extensive knowledge of and experience in overseas business management, living, culture and business environments.
Financial strategy and accounting	In order to formulate financial strategies that will not only ensure accurate financial reporting, but also build a strong financial foundation, promote growth investments including M&A to sustainably enhance corporate value, and strengthen shareholder returns, we need directors with solid knowledge and experience in finance and accounting.
Technology and quality Environment	In order to supply high-quality, technologically advanced housing that combines safety, security and comfort, and to further advance and deploy our sophisticated environmental technologies and solid construction capabilities, we need directors with a track record of promoting innovation, and sound knowledge and experience in technology, quality and the environment.
Human resource development Diversity Improvement of social value	In order to provide houses where customers can feel happier, we need to formulate human resource strategies that enable all employees to fully display their skills. To achieve this, we need directors with solid knowledge and experience in human resource development, including the promotion of diversity.
Governance Risk management Compliance	Establishing an appropriate governance system is fundamental for sustainably enhancing corporate value. In order to improve the effectiveness of management supervision by the Board of Directors, we need directors with solid knowledge and experience in corporate governance, risk management and compliance.

3. Policy and process for selecting new outside director candidates

- Aiming to make the process of selecting directors transparent, four representative directors each collected information on candidates based on the skill matrix, and narrowed down the candidates through discussions with all representative directors.
- We sounded out short-listed candidates to confirm the possibility of them assuming the position of director. Candidates who passed this step then met with the members of the Human Resources and Remuneration Advisory Committee.
- After deepening its understanding of candidates through these meetings, the committee deliberated on selection proposals and selected the candidates.

4. Process for appointing the President & Representative Director

- Outside members of the Personnel Affairs and Remuneration Committee held their own meeting prior to the full committee's deliberation on the proposal for the reappointment of the President & Representative Director.
- At this meeting, the entire committee discussed the reappointment plan based on the President & Representative Director's performance and issues during the current term of office.
- Outside committee members then met with the President & Representative Director to provide an opportunity for feedback based on the discussion results.
- Following the same process, the committee deliberated on the proposals for the appointment of directors and representative directors.

Reasons for Appointing Directors and Audit & Supervisory Board Members

Name	Reasons for Appointment	Name	Reasons for Appointment
Yoshihiro Nakai	<p>In the Corporate Management Planning Division, Mr. Nakai exercised his outstanding conceptual ability and has realized many innovative sales strategies and management policies involving sales offices nationwide in the housing and non-housing sectors alike. He took office as a director of Sekisui House in 2016, and he has served as President & Representative Director of the Company since 2018, playing a central role in formulating and implementing the Sekisui House Group's management strategies and plans.</p> <p>In particular, since assuming the office of President in the second year of the Fourth Mid-Term Management Plan, he has focused on aligning the directions of Group companies using the corporate philosophy as a compass, and by strengthening the corporate governance system and promoting ESG management he contributed to achieving record-high net sales and operating income in the final year of the plan (the year ended January 31, 2020).</p> <p>Sekisui House reappointed him as a director to help maintain sustainable growth and increase the corporate value of the Sekisui House Group under his strong leadership.</p>	Kunpei Nishida	<p>Mr. Nishida is responsible for the business centered on Sha Maison rental housing in western Japan, and has contributed to the development of the three- and four-story rental housing market by promoting the development of young employees and strengthening plan proposal capabilities.</p> <p>Assuming the position of director in 2014, he has worked hard to effectively align the directions of the Sekisui House Group's business activities through means such as Group collaboration meetings for enhancing the Group's overall strength. Since 2019, as the General Manager of Broking and Leasing Business Headquarters, he has overseen governance reforms at each of the Sekisui House Real Estate companies, and leads collaboration with the Division of Built-to-Order Business and other divisions.</p> <p>Sekisui House reappointed him as a director to help achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on strengthening collaboration between the Division of Supplied Housing Business and the Division of Built-to-Order Business, and the governance of Sekisui House Real Estate companies.</p>
Yosuke Horiuchi	<p>Mr. Horiuchi was responsible for the business centered on Sha Maison rental housing in eastern Japan, and has contributed to the development of the three- and four-story rental housing market by leading the area market strategy that is dedicated to responding to the local tenant market. Assuming the position of director in 2016, he has promoted the expansion of the customer base through means such as strengthening the corporate real estate and public real estate businesses.</p> <p>Since 2020, he has overseen the ESG Management Promotion Division, Accounting & Finance Division, including investor relations, and is working to enhance the Group's social value through collaboration with diverse stakeholders.</p> <p>Sekisui House reappointed him as a director to help achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on strongly promoting ESG management.</p>	Satoshi Tanaka	<p>Mr. Tanaka has held key positions in a major general trading company. He has domestic and international management experience, and knowledge and experience in the energy and consumer service sectors. He served as the executive vice president of a trading company from 2017 to 2019, and has experience as the officer responsible for the corporate staff divisions in positions including CAO, CIO, and CPO.</p> <p>He has also been an outside director of Sekisui House since 2020 and serves as a member of the Personnel Affairs and Remuneration Committee.</p> <p>Sekisui House reappointed him as a director to help achieve sustainable growth and increase the corporate value of the Sekisui House Group based on his extensive knowledge as a manager and his activities and contributions as an outside director of the Company, with particular emphasis on strengthening the effectiveness of corporate governance and enhancing the Division of Administration & Human Resources.</p>

Name	Reasons for Appointment
Toshiharu Miura	<p>Mr. Miura held technical positions at our sales office for approximately 10 years after joining Sekisui House. He has subsequently worked as a core member of the technical team in the Planning & Design Department and the Product Design & Development Department at the head office, where he has been instrumental in developing new products and establishing new technologies that meet market needs. Since 2016, he has been in charge of the Technology Division, and has strengthened the collaborative capabilities of the entire division. In 2018, he was appointed as a director, and since 2020 he has been in charge of the Technology Division and the Production & Procurement Division.</p> <p>Sekisui House reappointed him as a director to help achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on the areas of technology, quality and the environment, and on strengthening the Company's supply chain management.</p>

Toru Ishii	<p>After joining Sekisui House, Mr. Ishii gained sales planning experience in the urban development business and was involved in developing new markets such as the hotel development business and the office development business. Since 2012, he has been in charge of the development business, and has focused on human resource development and exercising the comprehensive capabilities of the Group. He has overseen the overseas business since 2019 with an emphasis on balancing investment and return, while actively taking on the challenge of developing new markets and providing strong leadership for the entire organization.</p> <p>Sekisui House reappointed him as a director to help achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on strengthening our development business and overseas business, and on enhancing the diversity and strengthening the governance system of our overseas subsidiaries.</p>
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Name	Reasons for Appointment
Yukiko Yoshimaru	<p>Ms. Yoshimaru has extensive knowledge and experience in human resource management and diversity, and management experience as a director of domestic and overseas companies. She has served as an outside director of Sekisui House since 2018, and as the chairperson of the Personnel Affairs and Remuneration Committee since 2020 she has contributed greatly to clarifying the process of appointing and dismissing directors, succession planning, and strengthening of remuneration governance.</p> <p>Sekisui House reappointed her as a director to help achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on the formulation of growth strategies from the perspectives of global business and diversity promotion, and on strengthening management supervision in areas including personnel affairs and remuneration.</p>

Toshifumi Kitazawa	<p>Mr. Kitazawa has held key positions at a major insurance company. He is an accomplished and experienced manager who has extensive knowledge and experience in areas including global business, M&A, risk management and compliance. As such, he has contributed greatly to constructive discussions and to strengthening the effectiveness of the Board of Directors.</p> <p>Sekisui House reappointed him as an outside director to help achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on formulating growth strategies from the perspective of global business, and on strengthening management supervision in areas including M&A and other financial strategies, risk management, and compliance.</p>
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Name	Reasons for Appointment
Yoshimi Nakajima	<p>Ms. Nakajima is an accomplished and experienced manager who has held key positions in domestic and overseas companies. In particular, she has extensive experience in financial strategy, M&A, and other areas from serving as the head of Asian and Japanese subsidiaries of global financial institutions. In addition, she has gained experience on the front lines of corporate management in an environment where diversity in senior management is the norm, and she embodies diversity in corporate management.</p> <p>Sekisui House appointed her as an outside director with the expectation that she will help the Company achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on formulating growth strategies from the perspectives of global business and diversity promotion, and on strengthening management supervision in areas including M&A and other financial strategies.</p>

Keiko Takegawa	<p>Ms. Takegawa has held key positions in the Cabinet Office, where she was committed to implementing policies related to gender equality. She has extensive knowledge and experience in diversity and compliance. During her tenure at the Ministry of Land, Infrastructure, Transport and Tourism, she worked tirelessly across ministries and agencies to develop secure and safe infrastructure for the elderly and disabled. Therefore, the Company expects her to provide useful advice on its technology and quality control from the perspective of consumers.</p> <p>Sekisui House appointed her as an outside director with the expectation that she will help achieve sustainable growth and increase the corporate value of the Sekisui House Group, with particular emphasis on formulating growth strategies from the perspective of diversity promotion, and on strengthening management supervision in areas including quality control, compliance, personnel affairs and remuneration.</p>
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Skill Matrix

Name	● Male ● Female	Number of years in office as director (At the close of the General Meeting of Shareholders held on April 27, 2021)	Knowledge, experience and abilities					
			Corporate management Business strategy	Overseas business International knowledge	Financial strategy and accounting	Technology and quality Environment	Human resource development Diversity Improvement of social value	Governance Risk management Compliance
Yoshihiro Nakai	●	5	●		●		●	●
Yosuke Horiuchi	●	5	●		●		●	
Kunpei Nishida	●	7	●					●
Satoshi Tanaka	●	1	●	●		●	●	●
Toshiharu Miura	●	3	●			●		●
Toru Ishii	●	1	●	●			●	
Yukiko Yoshimaru	●	3	●	●			●	●
Toshifumi Kitazawa	●	1	●	●	●			●
Yoshimi Nakajima	●	—	●	●	●		●	
Keiko Takegawa	●	—				●	●	●

Note: The above table is not an exhaustive list of the knowledge of the directors.

5. Reform of the executive officer system

6. Development of senior management

- In April 2021, we reformed the executive officer system with the objective of clarifying authority and responsibility through moderate separation of management supervision and business execution.
- We have reformed the executive officer system, and transitioned the hierarchy of the senior management team to four levels: directors who also serve as entrusted executive officers (president, vice chairman, executive vice president, and senior managing officers); entrusted executive officers (managing officers) who are future director candidates; employed executive officers, a level that enables flexible personnel selection based on maintaining employee status; and operations officers.
- We will work to strengthen the development of senior management in each department and create a sustainable leadership pipeline by clarifying the role, personnel requirements, and the appointment and dismissal process for each level of the hierarchy.
- In addition, we make sure outside officers are able to monitor senior management by allowing them to observe Management Meeting and ESG Promotion Committee meetings, at which employed executive officers and operations officers participate in presentations and Q&A sessions.

Personnel Affairs and Remuneration Committee supervises the appointment and dismissal process. Human resource review meetings (largely composed of internal directors) deliberate on appointment and dismissal, personnel allocation, and training.

Division	Directors who also serve as entrusted executive officers (Senior managing officers and above)	Entrusted executive officers (Managing officers)	Employed executive officers	Operations officers
	Ensuring moderate separation of supervision and execution, supervise the divisions for which they are responsible to achieve the goals of the mid-term management plan while taking responsibility for those divisions' execution of operations.	As director candidates, responsible for key areas of their divisions and for those areas' execution of operations to achieve the goals of the mid-term management plan.	As entrusted executive officer candidates, responsible for business units and for those business units' execution of operations to achieve the mid-term management plan.	As employed executive officer candidates, responsible for business units and for those business units' execution of operations to achieve the goals of the mid-term management plan.
Division of Built-to-Order Business Division of Supplied Housing Business	Yoshihiro Nakai Kunpei Nishida	Hiroshi Shinozaki	7 officers	11 officers
Division of Development Business	Toru Ishii		2 officers	3 officers
Business Strategy Division	Yoshihiro Nakai	Kohei Hirota	2 officers	5 officers
Division of Finance & ESG	Yosuke Horiuchi	Haruhiko Toyoda	3 officers	1 officer
Division of Administration & Human Resources	Satoshi Tanaka	Osamu Minagawa Keizo Yoshimoto	2 officers	2 officers
Division of Technology & Production	Toshiharu Miura	Kohei Joki	6 officers	5 officers

Corporate Governance System

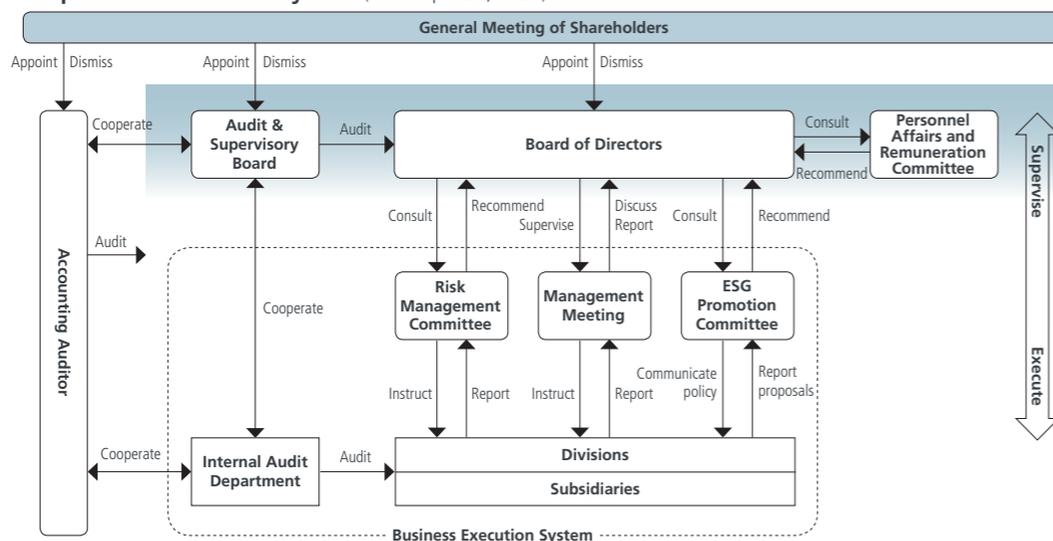
▶ Board of Directors

The Board of Directors has ten members, of whom seven are men, three are women, and four are outside directors. In principle, the Board of Directors meets once per month. To improve corporate value over the medium-to-long-term, the Board of Directors shall be responsible mainly for establishing management policies, strategies and plans, and making decisions on the execution of important operations, as well as for supervising and evaluating the execution of duties by directors and executive officers and for establishing systems, such as internal control and risk management, to ensure the soundness of management.

In addition, to promote constructive exchange of opinions, we decided not to combine the positions of the chairperson of the Board of Directors and the convener. Therefore, an outside director (Toshifumi Kitazawa) currently serves as the chairperson of the Board, while the president (Yoshihiro Nakai) currently serves as the convener.

The Board of Directors shall have the number of members that is considered appropriate for substantive deliberations, and independent outside directors shall be appointed so that the ratio of independent outside directors on the Board of Directors is one-third or more. Moreover, the Board of Directors shall have a well-balanced composition of members selected using a skill matrix based on business strategies and management plans. Members shall include experts in finance, accounting, law, compliance and other relevant areas, and consideration shall be given for knowledge, experience, ability, number of years in office, and gender, ensuring appropriate diversity and proper headcount.

Corporate Governance System (As of April 28, 2021)



Board of Director Composition (As of April 28, 2021)

Directors	Outside directors	Age		
		Under 50	50-59	60 and above
10 (7 men, 3 women)	4 (1 man, 3 women)	0	2	8

Body	Members
Board of Directors	Chairperson: Toshifumi Kitazawa (Outside Director) Internal directors: Yoshihiro Nakai, Yosuke Horiuchi, Kunpei Nishida, Satoshi Tanaka, Toshiharu Miura, Toru Ishii Outside directors: Yukiko Yoshimaru, Toshifumi Kitazawa, Yoshimi Nakajima, Keiko Takegawa (10 members, of whom 4 are outside directors. 7 are men and 3 are women.)
Audit & Supervisory Board	Chairperson: Haruyuki Iwata (Standing Audit & Supervisory Board Member) Standing Audit & Supervisory Board members: Haruyuki Iwata, Midori Ito Outside Audit & Supervisory Board members: Takashi Kobayashi, Hisako Makimura, Ryuichi Tsuruta, Yoritomo Wada (6 members, of whom 4 are outside Audit & Supervisory Board members. 4 are men and 2 are women.)
Personnel Affairs and Remuneration Committee	Chairperson: Yukiko Yoshimaru (Outside Director) Internal directors: Yoshihiro Nakai, Satoshi Tanaka Outside directors: Yukiko Yoshimaru, Toshifumi Kitazawa, Keiko Takegawa (5 members, of whom 3 are outside directors.)
Management Meeting	Chairperson: Yoshihiro Nakai (Representative Director, President & Executive Officer) Entrusted executive officers: Yoshihiro Nakai, Yosuke Horiuchi, Kunpei Nishida, Satoshi Tanaka, Toshiharu Miura, Toru Ishii, Kohei Hirota, Osamu Minagawa, Haruhiko Toyoda, Kohei Joki, Keizo Yoshimoto, Hiroshi Shinozaki
ESG Promotion Committee	Chairperson: Yosuke Horiuchi (Representative Director, Vice Chairman & Executive Officer) Outside members: Katsuhiko Kokubu (Professor, Graduate School of Business Administration, Kobe University; Dean of V. School, Kobe University), Hidemi Tomita (Representative Director, Lloyd's Register Japan K.K.) Members: Yosuke Horiuchi, Haruhiko Toyoda, Toshiya Chikada, Miwa Yamada, Atsushi Yoshida, Kazu Nakayama, Naoki Kawamura, Ken Kishimoto
Risk Management Committee	Chairperson: Satoshi Tanaka (Representative Director, Executive Vice President & Executive Officer) Vice Chairperson: Toshiharu Miura Members: Satoshi Tanaka, Toshiharu Miura, Kohei Hirota, Osamu Minagawa, Keizo Yoshimoto, Takakazu Koi, Kazu Nakayama, Takashi Ogino, Naoki Kawamura, Nobuaki Okawa

▶ Audit & Supervisory Board

The Audit & Supervisory Board has six members, of whom four are outside members, four are men, and two are women. It formulates audit plans and based on those plans it conducts hearings regarding risks and other issues pertaining to the assigned duties of directors, executive officers, key department managers and superintendents, the directors of subsidiaries and others.

In addition, Audit & Supervisory Board members exchange opinions and work closely with the Internal Audit Department, hold regular meetings with accounting auditors and engage in mutual cooperation to ensure that all audit activities are carried out efficiently and effectively.

Furthermore, we established the Office of Audit & Supervisory Board Members as a dedicated organization to which several employees including full-time staff are assigned to assist in Audit & Supervisory Board operations. If said employees are concurrently assigned other duties, they must not be influenced by guidance or commands from the other division to which they are concurrently assigned and, with regard to human resource matters pertaining to these employees, the opinions of auditors must be considered to ensure the independence of such employees with regard to Audit & Supervisory Board operations.

Audit & Supervisory Board Composition (As of April 28, 2021)

Audit & Supervisory Board	Outside Audit & Supervisory Board Members	Age		
		Under 50	50-59	60 and above
6 (4 men, 2 women)	4 (3 men, 1 woman)	0	0	6

▶ Personnel Affairs and Remuneration Committee

As a consultative body to the Board of Directors, the Personnel Affairs and Remuneration Committee provides opinions on matters relating to the directors and executive officers and their remuneration in order to ensure fairness and transparency.

The chairperson is an independent outside director, and the majority of the members are independent outside directors. Currently, the committee is composed of two representative directors and three independent outside directors, and the chairperson is an independent outside director (Yukiko Yoshimaru).

▶ Management Meeting

The Management Meeting was established to deliberate important matters prior to their approval at Board of Directors meetings, to make specific business execution decisions based on management policies and strategies, and to exchange information about business execution policies and issues among entrusted executive officers.

Entrusted executive officers attend meetings, and outside directors and Audit & Supervisory Board members may attend as observers, if they wish.

▶ ESG Promotion Committee

Members of the ESG Promotion Committee include two or more outside members with specialized knowledge, internal directors, executive officers, and managers. The committee enhances the effectiveness of ESG management by exchanging opinions on matters such as the progress of ESG management initiatives and issues.

In addition, we have established the ESG Management Promotion Headquarters, which further promotes ESG management in cooperation with Group companies in Japan and overseas based on discussions at the ESG Promotion Committee. We disclose the details of Group initiatives annually in our *Integrated Report and Sustainability Report*.

▶ Risk Management Committee

As a consultative body to the Board of Directors, the Risk Management Committee creates appropriate risk management systems and provides opinions to the Board of Directors on matters relating to the maintenance of risk management systems with the aim of ensuring effective operation.

The committee largely monitors key divisions regarding issues such as governance, human rights and labor management, compliance, quality control, and BCP. It also stays informed about and verifies the operational status of each division's risk management systems for the entire Group, including those in Japan and overseas.

Office of Directors

In light of the increase in the number of outside directors, the Company established the Office of Directors in August 2020 as an organization for assisting outside directors in their duties, and assigned several employees to it. The Office of Directors enhances the provision of information to outside directors, including advance explanations of the agenda of Board of Directors meetings, business inspection tours and monthly issuance of the Sekisui House Report, which provides an overview of Company and industry trends. Its other initiatives include creating opportunities for outside directors to communicate with the representative directors and Audit & Supervisory Board members. Outside officers have acknowledged that these initiatives contribute to lively discussions at Board of Directors meetings. The Company will enhance its efforts to further deploy the functions of its outside officers.

Evaluation of Effectiveness of the Board of Directors

► Initiatives to Enhance the Effectiveness of the Board of Directors

Every year, we evaluate the effectiveness of the entire Board of Directors, including the status of the creation of support systems for directors and Audit & Supervisory Board members. In addition to confirming matters including the strengths and issues of the Board of Directors, the status of improvements to issues identified in the previous fiscal year's evaluation, and the direction to be taken going forward, we work to strengthen corporate governance by implementing specific measures to enhance the effectiveness of the Board of Directors based on the evaluation results.

FY2020 Initiatives to Enhance the Effectiveness of the Board of Directors

- To enhance the independence of the Board of Directors, we increased the ratio of outside directors to one-third of Board members.
- To strengthen the effectiveness of the Personnel Affairs and Remuneration Committee, which was an issue raised in the previous fiscal year's evaluation, we changed the committee's structure to one in which the chairperson and a majority of members are outside directors.
- To assist outside directors in their duties, we have established and assigned employees to the Office of Directors.

► Evaluation Method

As in FY2019, we used an independent third-party evaluation company to prepare the FY2020 questionnaire, which we administered to all directors and Audit & Supervisory Board members. Based on the results of the questionnaire, the 12 directors and six Audit & Supervisory Board members were interviewed in February and March 2021.

The results were evaluated and examined by the third-party organization and summarized in a report. At the Board of Directors meeting held in March 2021, the evaluation company explained the details and the Board deliberated on the results.

Main Questionnaire Items

- Composition and structure of the Board of Directors
- Operation and duties of the Board of Directors
- Agenda items of the Board of Directors
- Supervisory function of the Board of Directors
- Progress on issues from the previous year

Summary of Evaluation Results

Generally, the Board of Directors was found to be highly effective, with the following strengths.

Strengths of the Board of Directors

• Composition and structure of the Board of Directors

As a result of raising the ratio of outside directors to one-third, among other measures, the Board of Directors is well-balanced, with a structure centered on four representative directors that ensures independence and diversity.

• A culture that emphasizes communication, including lively discussions

A culture that emphasizes communication permeates the Board of Directors, and transparent, lively discussions are conducted with the input of internal and outside directors.

• A driving force for governance reform centered on the four representative directors

The Board of Directors is committed to governance reform, as evidenced by the series of governance reforms undertaken under the strong leadership of the four representative directors.

Issues to Address

To further enhance its effectiveness, the Board of Directors will continue to strengthen corporate governance by addressing issues in the following ways.

- Enhance discussions of medium-to-long-term management at Board of Directors meetings
- Work to further deploy the functions of outside directors
- Strengthen Group governance

Officer Remuneration

The fundamental revision of officer remuneration is a key governance reform theme for Sekisui House, and the Personnel Affairs and Remuneration Committee and others have been discussing this issue on an ongoing basis. The 69th Ordinary General Shareholders' Meeting on April 23, 2020 implemented the following basic measures for reforming officer remuneration to provide sound incentives for directors (excluding outside directors) to continuously increase corporate value over the long term and to encourage them to share even more value with shareholders. The meeting also adjusted the composition of remuneration to include fixed basic remuneration, short-term performance-related bonuses, medium-term performance-related stock remuneration, and long-term restricted stock remuneration.

Remuneration and Incentive Remuneration Framework for Executive Directors

Types of Remuneration		KPI	Outline
Fixed	Basic remuneration	—	The amount shall be determined according to criteria including representation rights and position, and shall be paid on a monthly basis.
Variable	Short-term Performance-related bonuses	Consolidated ordinary income	The amount to be paid shall be calculated by multiplying consolidated ordinary income for the fiscal year ending January 31, 2022 by a predetermined bonus coefficient for the position of each executive director. The bonuses shall not be paid if net income attributable to owners of parent is less than ¥100 billion.
	Medium-term Performance share units (PSU)	ROE and ESG management indicators	The Reference Number of Share Units corresponding to predetermined standards for each executive director position shall be granted. The number of units to be granted shall depend on the degree of achievement of ROE and ESG management indicators during the three-year evaluation period from the fiscal year ending January 31, 2022 through the fiscal year ending January 31, 2024. At the end of the evaluation period, the number of units to be granted shall be determined within the range of 0% to 150%. Half of the units granted shall be issued as shares and half in cash for tax payment. ROE and ESG management indicators shall have an 80:20 weighting in the evaluation, and ESG management indicators will be rigorously reviewed by the Personnel Affairs and Remuneration Committee to enhance the objectivity and transparency of the process of goal setting and evaluation.
	Long-term Restricted stock remuneration (RS)	—	Shares of Sekisui House, Ltd. common stock (with transfer restrictions) corresponding to the predetermined basic amount set for each executive director position shall be granted. The transfer restrictions shall be lifted in the event that a Company director or executive officer stop serving in his or her position.

► Basic Remuneration Policies

- (1) To be fair to shareholders, investors, customers, employees and all other stakeholders in accordance with our fundamental corporate philosophy of love of humanity, a high degree of governance shall be applied in deciding remuneration to ensure objectivity, transparency and full accountability.
- (2) In order to become a leader in ESG management, we shall focus on social significance and make a clear commitment to consistently executing innovative growth strategies, and our remuneration system shall provide sound incentives for consistently increasing corporate value over the long term.
- (3) We shall emphasize the link between remuneration and the development and evaluation of the senior management team, motivate the next generation of managers to grow, and increase the organizational vitality of the Group over the long term.

The ESG management indicators and numerical targets for performance share units for the three-year evaluation period from the fiscal year ending January 31, 2021 to the fiscal year ending January 31, 2023 are as follows.

ESG Management Indicators		Numerical Target (January 31, 2023)	Weighting
E (Environment) Initiatives for a decarbonized society (Prevention of global warming)	ZEH ratio for detached houses	90%	40%
	Number of ZEH Sha Maison units	2,500 units per year	
S (Social) Promote diversity and workstyle innovation	Number of female employees in managerial positions	260	30%
	Percentage of male employees taking <i>Ikumen</i> Leave	98%	
	Percentage of employees taking annual paid leave	60%	
G (Governance) Clarification of the separation between management supervision and business execution, response to the Corporate Governance Code, increasing integrity	Review the overall design of the governance system	Strengthen the effectiveness of the Personnel Affairs and Remuneration Committee, review the role of the Management Meeting, reform the executive officer system	30%
	Enhance response to the Corporate Governance Code	Improve the level of disclosure through third-party reviews (comparison with TOPIX 100 companies)	
	Increase integrity at business management level	Create an integrity management training system for all employees in positions of responsibility	

► Remuneration Governance

To ensure objective and transparent decision-making concerning the remuneration system for directors and executive officers, total remuneration paid, and remuneration paid to individual officers, as well as KPI targets for performance-related remuneration and achievement of those targets, the Personnel Affairs and Remuneration Committee, an advisory body to the Board of Directors, deliberates these matters before resolutions are adopted by the Board of Directors, which respects the opinions of the committee.

► Summary of Revisions

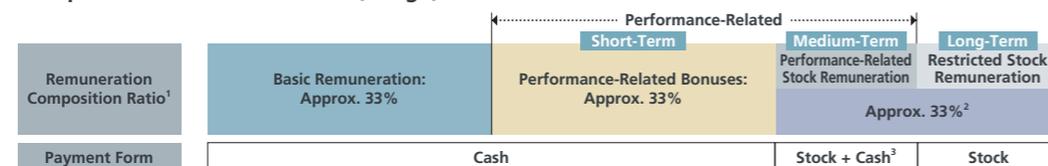
Introduction of Shareholding Guidelines

We have established shareholding guidelines for eligible directors to ensure they consistently share value with our shareholders. As a rule, during their terms of office, directors are obligated to maintain ownership of Sekisui House shares equivalent to baseline monetary values derived from market price and according to their positions. The baseline monetary value is two times annual basic remuneration for representative directors and equal to annual basic remuneration for other eligible directors.

Prescription of Stock Remuneration Return (so-called Malus and Clawback Provisions)

In this revision, we prescribed so-called malus and clawback provisions that require officers to return their stock remuneration in full or in part before vesting if certain events occur, in order to control excessive risk-taking to ensure the soundness of management.

Composition of Remuneration (Image)



- The remuneration composition ratio will vary depending on position, the Company's performance and the achievement of KPIs. The remuneration composition ratio for representative directors at base performance is presented.
- The composition ratio of performance-related stock remuneration to restricted stock remuneration is approximately 1:1 (at base performance).
- 50% of the performance-related stock remuneration will be paid in cash for the purpose of appropriation to funds for tax payments.

Officer Remuneration for FY2020

Total Remuneration for Parent Company Officers by Category, Type of Remuneration, and Number of Eligible Officers

Officer Category	Total Remuneration (Millions of yen)	Total Remuneration by Type (Millions of yen)				Number of Eligible Officers
		Basic Remuneration	Performance-Related Bonuses	Performance Share Units (PSU)	Restricted Stock Remuneration	
Directors (excluding outside directors)	983	402	320	111	150	9
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	66	66	—	—	—	2
Outside officers	169	169	—	—	—	10

- Basic remuneration for directors was within the limit (¥43 million or less per month for all directors as a group) fixed pursuant to resolution of the 43rd General Meeting of Shareholders held on April 27, 1994. Basic remuneration for Audit & Supervisory Board members was within the limit (¥15 million or less per month for all Audit & Supervisory Board members as a group) fixed pursuant to resolution of the 67th General Meeting of Shareholders held on April 26, 2018.
- Performance-related bonuses were recorded as expenses for the fiscal year ended January 31, 2021, based on a resolution of the 69th General Meeting of Shareholders held on April 23, 2020 (up to 0.18% of consolidated ordinary income, but not paid if net income attributable to owners of parent is less than ¥100 billion).
- Performance share units (PSU) were recorded as expenses for the fiscal year ended January 31, 2021, based on a resolution of the 69th General Meeting of Shareholders held on April 23, 2020 (up to the amount calculated by multiplying the upper limit total of the Fixed Reference Number of Share Units of 270,000 shares per annum by the book value at the time the shares are granted, and up to 135,000 shares per annum).
- Restricted stock remuneration is based on a resolution of the 68th General Meeting of Shareholders held on April 25, 2019 (up to ¥90 million and 90,000 shares of common stock per annum) and by the resolution of the 69th General Meeting of Shareholders held on April 23, 2020 (up to ¥180 million and 180,000 shares of common stock per annum).

Total Consolidated Remuneration by Officer

(Millions of yen)

Name	Officer Category	Company Category	Remuneration by Type				Total Remuneration
			Basic Remuneration	Performance-Related Bonuses	Performance Share Units (PSU)	Restricted Stock Remuneration	
Toshinori Abe	Director	Sekisui House	72	62	23	32	189
Shiro Inagaki	Director	Sekisui House	60	52	19	26	158
Yoshihiro Nakai	Director	Sekisui House	64	57	21	28	171
Takashi Uchida	Director	Sekisui House	48	41	15	20	125
Kunpei Nishida	Director	Sekisui House	39	27	7	10	84
Yosuke Horiuchi	Director	Sekisui House	39	27	7	10	84
Toshiharu Miura	Director	Sekisui House	39	27	7	10	84
Toru Ishii	Director	Sekisui House	29	27	7	10	74

Note: Individuals receiving total consolidated remuneration of ¥100 million or more and officers who were directors (excluding outside directors) of Sekisui House as of January 31, 2021

Compliance and Risk Management

▶ Promoting Compliance

The Sekisui House Group recognizes compliance as a key management issue. We identify themes to be addressed and strive to make improvements with the PDCA cycle in mind. In October 2003, the Group formulated the Sekisui House Group Corporate Ethics Guidelines, which are standards for corporate ethics that Group companies, officers and employees must observe. The content of the Guidelines is revised as appropriate in response to changes in the business environment, and we hold a Compliance with Corporate Ethics Check every October to ensure that all Group officers and employees remain fully informed.

Moreover, we set a theme each year for ongoing legal training for all Sekisui House and Sekisui House Group employees and work to foster awareness of compliance. In addition, we have established internal and external consultation services as a whistleblowing system for receiving compliance-related inquiries and reports from Group employees and suppliers. In June 2020, we also set up a dedicated consultation service for overseas subsidiaries.

Governance Awareness Survey of All Sekisui House and Sekisui House Group Employees

Overview

Based on the Sekisui House Group's corporate philosophy, we use an anonymous questionnaire to conduct an annual Governance Awareness Survey of all Group employees to ensure that workplace environments have been modified to ensure everyone is working effectively together 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.

Main Survey Results

The survey collects and analyzes responses to questions from each Sekisui House sales, production and head office division and Group company on the five topics of corporate philosophy, vision and strategy, employee autonomy, workplace culture and compliance. As an overall trend, issues remain to be addressed for topics such as workplace culture and employee autonomy, and the average score for each Group company is lower than that for Sekisui House itself. Improvements are under consideration.

▶ Risk Management System Enhancement

The Sekisui House Group has established the Risk Management Committee as a consultative body to the Board of Directors of Sekisui House to accurately identify material risks in business activities, prevent the manifestation of those risks, and mitigate the impact on the Group in the event such risks materialize.

This committee meets once a month in principle to identify material risk themes at domestic offices, domestic subsidiaries and overseas subsidiaries, and to summarize, verify and provide advice on the status of the risk management system based on monitoring of each risk by the organization in charge at the head office. It regularly reports to the Board of Directors on the content of its deliberations.

In addition, the Quality Management Committee and Information Security Committee have been established as subordinate organizations of the Risk Management Committee to deliberate on the verification of risk incidents and the examination of countermeasures from more specialized perspectives. The Risk Management Committee regularly receives reports on the content of the deliberations of these two committees.

In the event of the occurrence of a risk incident exceeding a predetermined level, the department in charge of risk management reports it to the Risk Management Committee through its secretariat. If serious matters such as reputation risk are found, a specialized team called a Crisis Countermeasures Headquarters is set up to establish a system for considering how to respond.

▶ Business Continuity Planning

To deal with the occurrence of large-scale natural disasters, the Group has formulated the Sekisui House Group Basic Policy on Disaster Countermeasures and is updating its business continuity planning (BCP). In addition, based on the disaster manual used by the various sales administration headquarters, we conduct activities for disaster countermeasures and business continuity at each business site.

Additionally, in the increasingly likely event of a Nankai Trough Megathrust Earthquake occurring in the near future, enormous damage is expected in Osaka City, where our head office (Umeda Sky Building) is located. In preparation for the likelihood of challenges to the continuity of essential operations at our head office, we have created an initial response manual for matters such as the establishment of a disaster countermeasures office at the head office. In the event of a disaster at the head office, we will use the Tokyo office (Akasaka, Minato-ku) and the Comprehensive Housing R&D Institute (Kizugawa, Kyoto), where we have set up systems to enable the continuity of essential head office business activities, as substitute head offices.

In addition, because numerous components and parts are necessary for the construction of houses, we are working to enhance our supply chain with multiple component lineups, procurement from multiple companies, multiple production bases and the promotion of multipurpose components so that the supply of components and parts will not stop in the event of a large-scale disaster.

We do business internationally, which puts our local staff and employees on international business trips at risk of natural disasters, terrorist attacks and riots. To prepare for such events, we have created a response manual that incorporates a system for prompt information sharing, and in cooperation with an external specialist company we have also established a support system for our local employees in the event of an emergency.

Comprehensive Evaluation Report on Problems with the Purchase of Land for Condominiums Disclosed on December 7, 2020

On December 7, 2020, Sekisui House received a Comprehensive Evaluation Report (hereafter, the "Report") from its Comprehensive Evaluation Committee. At the request of the Board of Directors, this committee had conducted a comprehensive evaluation of the causes of an incident involving transactions for land for condominiums in Nishi Gotanda, Shinagawa-ku, Tokyo that occurred in 2017 (hereafter, the "Transaction Incident"), as well as measures to prevent recurrence and other matters. The Report was disclosed to the public on the same day.

In addition to details regarding the facts that had been determined, the Report verified and made recommendations regarding Sekisui House's response and approach to

information disclosure after the discovery of the Transaction Incident. Topics included whether cases similar to the Transaction Incident have occurred, cause analysis (direct causes in the course of the transactions and cause analysis of internal environment and internal control system), recurrence prevention measures implemented and their dissemination and awareness promotion among employees and their effectiveness, the investigation by the 2017 committee and the content of the 2018 report.



Note: The Comprehensive Evaluation Report on Problems with the Purchase of Land for Condominiums is available on our website.
https://www.sekisuihouse.co.jp/library/company/topics/datail/_icsFiles/afidfile/2020/12/20201207e.pdf

Background of Preparation of the Report

By June 2020, first-instance convictions were handed down on all the criminal groups indicted in the Transaction Incident. In view of this fact, the Board of Directors decided in September 2020 to conduct a comprehensive evaluation of the Transaction Incident and other matters for the purpose of fulfilling its accountability to stakeholders, including its shareholders, customers, suppliers, officers and employees, by accurately disclosing the background of facts and other matters regarding the Transaction Incident. The Board of Directors then established the Comprehensive Evaluation Committee (hereinafter, the "Committee") (Head of Committee: Shin Kikuchi of Gaien Partners), which was entrusted to external experts to ensure independence.

From September to November 2020, the Committee examined materials related to transactions, materials related to the 2017 survey and other related materials such as the minutes of Board of Directors meetings. During that time, it also held interviews with related parties and conducted a digital forensic study of e-mails of related parties, among other activities, and prepared the Report that incorporates expert opinions.

Evaluation and Recommendations of the Report

The Report acknowledged Sekisui House's response to the cause analysis in the measures to prevent recurrence it had implemented, and positively evaluated those measures to a certain extent, but suggested that because Sekisui House did not formulate comprehensive measures to prevent recurrence, it was desirable to conduct a serious re-examination of whether effective countermeasures to the problems indicated had been taken. The Report also suggested that in order to prevent similar negative impact, in-house training and education based on the Transaction Incident was necessary due to the extreme importance of raising the awareness of each individual who operates systems, and that comprehensive reforms were needed to improve the corporate culture, including personnel rotation throughout the organization and personnel evaluations that emphasize integrity.

Initiatives in Response to Report Recommendations

In response to the recommendations of the Report, the Board of Directors resolved to have the Risk Management Committee re-examine the effectiveness of the recurrence prevention measures implemented by Sekisui House from the perspective of their correspondence to the cause analysis indicated in the Report; to conduct education and training using the Transaction Incident as a lesson in point; and to implement personnel rotation to help improve the corporate culture.

For education and training, we conduct a program using the Transaction Incident as a specific case study to increase awareness of risks. It fosters approaches toward work that use intuition on top of social common sense, specialized knowledge, experience and other factors. In addition, we conduct a program for managers that focuses on the problem of sectionalism, which was the cause of the internal environment that led to the Transaction Incident, and on the importance of checks and balances among divisions.

For personnel rotation, since 2019 we have been conducting transfers among the Condominium Headquarters, Development Department and International Business Department, as well as transfers of general managers and branch managers outside their headquarters in connection with our reorganization of the various sales administration headquarters, and other measures. Going forward, we will work proactively to systematically cultivate the next generation of leaders, which will lead to improvements in corporate culture and communication.

Once again, we sincerely apologize for causing great concern to our shareholders, customers, suppliers and other stakeholders regarding this matter. We take the recommendations of the Report seriously and will make further efforts to improve the effectiveness of our governance, strengthen internal controls and raise awareness of risks.

Directors and Audit & Supervisory Board Members (As of April 28, 2021)

Outside

Outside Director

Independent

Independent Officers based on the rules of Tokyo Stock Exchange, Inc.

Directors

Yoshihiro Nakai

Representative Director
President & Executive Officer,
CEO
In charge of Business Strategy
Division and Division of
Built-to-Order Business



Significant concurrent posts at other companies
None

Number of years in office as director
5

Attendance at meetings (FY2020)
Board of Directors: 13/13 (100%)

Apr. 1988: Joined the Company
Apr. 2014: Executive Officer, assigned to the post of Chief Manager of Corporate Management Planning Department
Apr. 2016: Managing Officer
In charge of Corporate Management Planning and Accounting & Finance
Apr. 2016: Director
Feb. 2018: President & Representative Director
Apr. 2021: Representative Director
President & Executive Officer, CEO
In charge of Business Strategy Division and Division of Built-to-Order Business (current position)

Yosuke Horiuchi

Representative Director
Vice Chairman &
Executive Officer
In charge of Finance & ESG
Division and TKC Project



Significant concurrent posts at other companies
President & Representative
Director of Sekisui House Financial
Services Co., Ltd.

Number of years in office as director
5

Attendance at meetings (FY2020)
Board of Directors: 13/13 (100%)

Apr. 1980: Joined the Company
Apr. 2012: Executive Officer, assigned to the post of General Manager of Tokyo Sha Maison Sales Administration Headquarters
Apr. 2014: Managing Officer
In charge of Sha Maison Sales (East Japan)
Apr. 2016: Director
Dec. 2017: Assigned to the post of General Manager of Tokyo Sha Maison Sales Administration Headquarters and General Manager of Condominium Headquarters
Apr. 2018: Senior Managing Officer
In charge of Transaction Promotion Division, assigned to the post of General Manager of East Japan Building Sales Administration Headquarters
Aug. 2018: In charge of Transaction Promotion Division and East Japan Building Sales Administration
Feb. 2020: In charge of Investor Relations Division and Transaction Promotion Division
Jun. 2020: In charge of ESG Management Promotion Division, Accounting & Finance Division and Transaction Promotion Division
Feb. 2021: In charge of Division of Finance & ESG and TKC Project (current position)
Apr. 2021: Representative Director, Vice Chairman & Executive Officer (current position)

Kunpei Nishida

Representative Director
Executive Vice President &
Executive Officer
In charge of Division of
Supplied Housing Business
General Manager of Broking and
Leasing Business Headquarters



Significant concurrent posts at other companies
None

Number of years in office as director
7

Attendance at meetings (FY2020)
Board of Directors: 13/13 (100%)

Apr. 1976: Joined the Company
Apr. 2012: Executive Officer, assigned to the post of General Manager of Kansai Sha Maison Sales Administration Headquarters
Aug. 2012: Assigned to the post of General Manager of West Japan Sha Maison Sales Administration Headquarters
Apr. 2014: Managing Officer, in charge of Sha Maison Sales (West Japan)
Apr. 2014: Director
Apr. 2018: Senior Managing Officer
Assigned to the post of General Manager of West Japan Building Sales Administration Headquarters
Feb. 2019: In charge of West Japan Building Sales Administration, assigned to the post of General Manager of Broking and Leasing Business Headquarters
Feb. 2020: Assigned to the post of General Manager of Broking and Leasing Business Headquarters (current position)
Feb. 2021: In charge of Division of Supplied Housing Business (current position)
Apr. 2021: Representative Director, Executive Vice President & Executive Officer (current position)

Satoshi Tanaka

Representative Director
Executive Vice President &
Executive Officer
In charge of Division of
Administration &
Human Resources



Significant concurrent posts at other companies
Outside Director of Kuraray Co., Ltd.

Number of years in office as director
1

Attendance at meetings (FY2020)
Board of Directors: 9/9 (100%)

Apr. 1981: Joined MITSUI & CO., LTD.
Apr. 2004: General Manager of Investor Relations Division of MITSUI & CO., LTD.
Apr. 2007: General Manager of Corporate Planning & Strategy Division of MITSUI & CO., LTD.
Jul. 2010: Deputy General Manager of Consumer Service Business Unit of MITSUI & CO., LTD.
Apr. 2011: Executive Officer; General Manager of Consumer Service Business Unit of MITSUI & CO., LTD.
Apr. 2013: Executive Managing Officer; General Manager of Consumer Service Business Unit of MITSUI & CO., LTD.
Apr. 2015: Senior Executive Managing Officer; COO of Asia Pacific Business Unit of MITSUI & Co., LTD. and CEO of MITSUI & CO. (ASIA PACIFIC) PTE. LTD.
Apr. 2017: Executive Vice President; CAO (Chief Administrative Officer); CIO (Chief Information Officer); CPO (Chief Privacy Officer) of MITSUI & CO., LTD.
Jun. 2017: Representative Director and Executive Vice President of MITSUI & CO., LTD.
Jun. 2019: Counselor of MITSUI & CO., LTD.
Mar. 2020: Outside Director of Kuraray Co., Ltd. (current position)
Apr. 2020: Outside Director of the Company
Jan. 2021: Independent Director of IHH Healthcare Berhad (current position)
Apr. 2021: Representative Director, Executive Vice President & Executive Officer
In charge of Division of Administration & Human Resources (current position)

Toshiharu Miura

Director
Senior Managing Officer
In charge of Division of
Technology & Production



Significant concurrent posts at other companies
None

Number of years in office as director
3

Attendance at meetings (FY2020)
Board of Directors: 13/13 (100%)

Apr. 1979: Joined the Company
Apr. 2014: Executive Officer, assigned to the post of Chief Manager of Product Design & Development Department
Apr. 2016: Managing Officer
Apr. 2016: Assigned to the post of General Manager of Technology Headquarters and Chief Manager of Product Design & Development Department
Feb. 2018: Assigned to the post of General Manager of Technology Headquarters
Apr. 2018: In charge of Technology Division
Apr. 2018: Director (current position)
Feb. 2020: In charge of Technology Division and Production & Procurement Division
Apr. 2020: Senior Managing Officer (current position)
Feb. 2021: In charge of Division of Technology & Production (current position)

Toru Ishii

Director
Senior Managing Officer
In charge of Division of
Development Business



Significant concurrent posts at other companies
President & Director of SEKISUI HOUSE AUSTRALIA HOLDINGS PTY LIMITED
Chairman of SEKISUI HOUSE US HOLDINGS, LLC
Chairman of NORTH AMERICA SEKISUI HOUSE, LLC
Director of WOODSIDE HOMES COMPANY, LLC

Number of years in office as director
1

Attendance at meetings (FY2020)
Board of Directors: 9/9 (100%)

Apr. 1990: Joined the Company
Apr. 2014: Executive Officer, assigned to the post of Chief Manager of Development Department
Apr. 2016: Managing Officer
Feb. 2019: In charge of Development Business and assigned to the post of Chief Manager of International Business Department
Feb. 2020: In charge of Development and Condominiums Business and assigned to the post of Chief Manager of International Business Department
Apr. 2020: Senior Managing Officer (current position)
In charge of Development Business, Condominiums Business and International Business
Apr. 2020: Director (current position)
Feb. 2021: In charge of Division of Development Business (current position)

Directors

Yukiko Yoshimaru

Outside Director



Outside Independent

Significant concurrent posts at other companies

Outside Director of Mitsui Chemicals, Inc.

Number of years in office as director
3

Attendance at meetings (FY2020)

Board of Directors: 13/13 (100%)

Apr. 1982: Joined Oki Electric Industry Co., Ltd.
Apr. 1998: Director of Oki America Inc.
Head of New York Office of Oki Electric Industry Co., Ltd.
Oct. 2004: Chief Manager of Diversity Development Office of NISSAN MOTOR CO., LTD.
Apr. 2008: Joined Nifco Inc.
Jun. 2011: Executive Officer of Nifco Inc.
Apr. 2018: Outside Director of the Company (current position)
Jun. 2019: Outside Director of Mitsui Chemicals, Inc. (current position)

Yoshimi Nakajima

Outside Director



Outside Independent

Significant concurrent posts at other companies

Outside Director of Yamaha Corporation
Outside Director of AEON Financial Service Co., Ltd.
Outside Director of Japan Freight Railway Company

External Director of ULVAC, Inc.
Specially-appointed Professor,
The Graduate School of Project Design

Number of years in office as director
Newly appointed

Attendance at meetings (FY2020)

—

Apr. 1980: Joined The Yasuda Trust & Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.)
Feb. 1982: Joined AVON Product Co., LTD. (currently FMG & MISSION CO., LTD.)
May 1997: Vice President of Citibank, N.A.
Jun. 2000: Senior General Manager of Societe Generale Securities Ltd.
Apr. 2002: Vice President of American Express International, Inc. (Japan)
Aug. 2011: Country Manager (President) of American Express International, Inc. (Singapore)
Feb. 2014: Senior Vice President of American Express International, Inc. (Japan)
Apr. 2014: President and Representative Director of American Express Japan Co., Ltd.
Jun. 2017: Outside Director of Yamaha Corporation (current position)
Jun. 2017: Outside Director of AEON Financial Service Co., Ltd. (current position)
Jun. 2018: Outside Director of Japan Freight Railway Company (current position)
Sep. 2018: External Director of ULVAC, Inc. (current position)
Apr. 2021: Visiting Professor, The Graduate School of Project Design (current position)
Apr. 2021: Outside Director of the Company (current position)

Toshifumi Kitazawa

Outside Director



Outside Independent

Significant concurrent posts at other companies

Vice Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.
Member of the Board of Directors (Outside)
(Member of the Audit & Supervisory Committee) of MUFG Bank, Ltd.

Outside Director of Mitsubishi Logistics Corporation

Number of years in office as director
1

Attendance at meetings (FY2020)

Board of Directors: 9/9 (100%)

Apr. 1977: Joined Tokio Marine & Fire Insurance Co., Ltd.
Jun. 2008: Managing Director of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.
Jun. 2009: Senior Managing Director of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.
Jun. 2010: President & CEO of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.
Jun. 2010: Director of Tokio Marine Holdings, Inc.
Apr. 2014: Vice President & Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.
Jun. 2014: Vice President Executive Officer of Tokio Marine Holdings, Inc.
Apr. 2016: President & Chief Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd.
Jun. 2016: Director of Tokio Marine Holdings, Inc.
Apr. 2019: Vice Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd. (current position)
Jun. 2019: Member of the Board of Directors (Outside) (Member of the Audit & Supervisory Committee) of MUFG Bank, Ltd. (current position)
Jun. 2019: Outside Director of Mitsubishi Logistics Corporation (current position)
Apr. 2020: Outside Director of the Company (current position)

Keiko Takegawa

Outside Director



Outside Independent

Significant concurrent posts at other companies

Outside Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION
Outside Auditor of MITSUI MINING & SMELTING CO., LTD.

Specially Appointed Professor, Dean of Faculty of Global Business Department of Showa Women's University

Number of years in office as director
Newly appointed

Attendance at meetings (FY2020)

—

Apr. 1981: Joined the Prime Minister's Office (currently Cabinet Office)
Jul. 2006: Director of Policy Division for Universal Design, Policy Bureau, Ministry of Land, Infrastructure, Transport and Tourism
Jul. 2008: Director-General for Policies on Cohesive Society and Minister's Secretariat of Cabinet Office
Jul. 2009: Director-General for Gender Equality Bureau of Cabinet Office
Dec. 2012: Director-General of the Public Relations Office of Cabinet Office
Jul. 2014: Director of the Gender Equality Bureau of Cabinet Office
Apr. 2019: Professor (currently Specially Appointed Professor) of Showa Women's University (current position)
Jun. 2019: Outside Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (current position)
Jun. 2019: Outside Auditor of MITSUI MINING & SMELTING CO., LTD. (current position)
Apr. 2020: Dean of Faculty of Global Business of Showa Women's University (current position)
Apr. 2021: Outside Director of the Company (current position)

Audit & Supervisory Board Members

Haruyuki Iwata

Standing Audit & Supervisory Board Member



Significant concurrent posts at other companies

None

Number of years in office as Outside Audit & Supervisory Board member

3

Attendance at meetings (FY2020)
Board of Directors: 13/13 (100%)
Audit & Supervisory Board: 14/14 (100%)

Apr. 1975: Joined the Company
Apr. 2010: Executive Officer, assigned to the post of Chief Manager of Purchasing Department
Apr. 2016: Managing Officer
Apr. 2018: Standing Audit & Supervisory Board Member (current position)

Midori Ito

Standing Audit & Supervisory Board Member



Significant concurrent posts at other companies

None

Number of years in office as Outside Audit & Supervisory Board member

Newly appointed

Attendance at meetings (FY2020)
Board of Directors: —
Audit & Supervisory Board: —

Apr. 1974: Joined the Company
Apr. 2018: Executive Officer
Assigned to the post of Chief Manager of Diversity and Inclusion Promotion Department
Feb. 2020: In charge of Diversity and Inclusion Promotion
Apr. 2021: Standing Audit & Supervisory Board Member (current position)

Takashi Kobayashi

Outside Audit & Supervisory Board Member



Outside Independent

Significant concurrent posts at other companies

Lawyer of Ono-Kobayashi Law Office
Outside Director of Sanyo Special Steel Co., Ltd.

Number of years in office as Outside Audit & Supervisory Board member

4

Attendance at meetings (FY2020)
Board of Directors: 13/13 (100%)
Audit & Supervisory Board: 14/14 (100%)

Apr. 1976: Appointed as a public prosecutor
Jan. 2004: Chief Public Prosecutor of the Nara District Public Prosecutor's Office
Dec. 2004: Public Prosecutor of the Supreme Public Prosecutor's Office
Sep. 2005: Chief Public Prosecutor of the Maebashi District Public Prosecutor's Office
Jun. 2007: Deputy Chief Public Prosecutor of the Osaka High Public Prosecutor's Office
Jul. 2008: Public Safety Director of the Supreme Public Prosecutor's Office
Jan. 2010: Chief Public Prosecutor of the Osaka District Public Prosecutor's Office
Feb. 2011: Registered as lawyer (current position)
Apr. 2017: Outside Audit & Supervisory Board Member of the Company (current position)
Jun. 2017: Outside Director of Sanyo Special Steel Co., Ltd. (current position)

Hisako Makimura

Outside Audit & Supervisory Board Member



Outside Independent

Significant concurrent posts at other companies

Visiting Scholar of the Institute of Religion and Culture of Kyoto Women's University
Visiting Scholar of the Research Center for Societal Safety Sciences, Faculty of Societal Safety Sciences of Kansai University

Number of years in office as Outside Audit & Supervisory Board member

3

Attendance at meetings (FY2020)
Board of Directors: 13/13 (100%)
Audit & Supervisory Board: 14/14 (100%)

Apr. 1993: Professor of Nara Bunka Women's Junior College
Apr. 1996: Professor of Nara Prefectural College of Commerce
Apr. 2000: Professor of Kyoto Women's University
Jun. 2011: Outside Audit & Supervisory Board Member of the Kansai Electric Power Co., Inc.
Apr. 2013: Visiting Scholar of the Institute of Religion and Culture of Kyoto Women's University (current position)
Apr. 2017: Visiting Professor of Kansai University
Apr. 2018: Outside Audit & Supervisory Board Member of the Company (current position)
Jun. 2019: Outside Director of the Kansai Electric Power Co., Inc.
Oct. 2019: Visiting Scholar of the Research Center for Societal Safety Sciences, Faculty of Societal Safety Sciences of Kansai University (current position)

Ryuichi Tsuruta

Outside Audit & Supervisory Board Member



Outside Independent

Significant concurrent posts at other companies

Representative of CG Consulting
Special Instructor of The Graduate School of Project Design

Number of years in office as Outside Audit & Supervisory Board member

3

Attendance at meetings (FY2020)
Board of Directors: 12/13 (92.3%)
Audit & Supervisory Board: 14/14 (100%)

Oct. 2000: Manager of IR Office of Corporate Finance & IR Group of Panasonic Corporation
Apr. 2007: General Manager of Corporate International Affairs Group of Panasonic Corporation
Nov. 2014: Advisor of Panasonic Corporation
May 2015: Outside Audit & Supervisory Board Member of ZUIKO CORPORATION
Apr. 2018: Outside Audit & Supervisory Board Member of the Company (current position)
Apr. 2018: Representative of CG Consulting (current position)
Jan. 2019: Special Instructor of The Graduate School of Project Design (current position)

Yoritomo Wada

Outside Audit & Supervisory Board Member



Outside Independent

Significant concurrent posts at other companies

Certified Public Accountant, Wada CPA Accounting Firm
External Statutory Corporate Auditor of NIPPON SHOKUBAI CO., LTD.

Number of years in office as Outside Audit & Supervisory Board member

1

Attendance at meetings (FY2020)
Board of Directors: 9/9 (100%)
Audit & Supervisory Board: 9/9 (100%)

Apr. 1978: Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)
Jun. 1996: Partner of Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
Jun. 2019: External Statutory Corporate Auditor of NIPPON SHOKUBAI CO., LTD. (current position)
Apr. 2020: Outside Audit & Supervisory Board Member of the Company (current position)

Two Outside Directors Share Their Views



Dialogue

Satoshi Tanaka
Representative Director
Executive Vice President &
Executive Officer
(Outside director at the time of this interview)

Previous positions include Representative Director, Executive Vice President of Mitsui & Co., Ltd. Served as an outside director of the Company from 2020 to 2021, and appointed Representative Director, Executive Vice President & Executive Officer in 2021.

Toshifumi Kitazawa
Outside Director

Previous positions include President & Chief Executive Officer and Vice Chairman of the Board (current position) at Tokio Marine & Nichido Fire Insurance Co., Ltd. Appointed outside director of the Company in April 2020.

Q. What were your impressions of Sekisui House from the outside and what issues have you noticed since becoming an outside director?

Tanaka: I never had a business relationship with Sekisui House, so my only image of it was from television commercials. Most of what I know I have learned since becoming an outside director. I think the Company has a solid foundation and a core earnings base, as well as the technologies, strong sales force and other factors required to support them.

Sekisui House is also a very open company. The Company is good about sharing information with outside directors, its support system is accommodating, and people take my remarks seriously at meetings, even when I think I may have overstepped my bounds.

Kitazawa: I had dealings with Sekisui House for many years and saw it as a company that strives to provide the pleasant, comfortable housing it features in its TV commercials. Since becoming an outside director, I have received official explanations of the Company, toured various facilities and engaged in discussions at Board of Directors meetings and elsewhere. All of that has convinced me that Sekisui House is making a serious effort to

provide something of value to its customers. One thing that strikes me in particular is the high level of motivation of its employees in terms of both technology and customer service. Employees are closely attuned to customers and respond to their various requests in a straightforward manner.

Society is changing rapidly, so the issues companies must address will become even more complex. Under these circumstances, Sekisui House's management team is speedily and aggressively conducting governance reforms. The Company has also established a specialized department called the Office of Directors to proactively provide outside directors with various kinds of support, including the provision of detailed management

Two Outside Directors Share Their Views



information. I sense a strong will within the Company to work together with society to make Sekisui House even better.

Various issues need to be resolved, but I think first it is important to further deepen the governance reforms that are currently underway and to extend them throughout the Sekisui House Group. Using these reforms as a base, the Company also needs to do more in pursuit of various sustainable growth strategies. For example, aside from customers who have purchased the Company's detached houses or condominiums, there are also many customers throughout Japan using Sekisui House's rental housing, of which Sha Maison is representative. Making greater use

of digital technology to enhance contact with such customers can be a key growth strategy. Moreover, Sekisui House's technology for pre-engineered production of high-quality, comfortable houses that use photovoltaic power generation and other eco-friendly methods means it has the potential to further expand its business overseas as well as in Japan. Going forward, it is important that it develops human resources capable of managing these overseas businesses.

Tanaka: To maintain its solid business model and core earnings base, Sekisui House must ensure that no differences in the level of commitment to the Company's stance arise between Japan and overseas, or between the parent company and Group companies. With its easily comprehensible and ambitious vision, the management team's commitment to and sense of urgency with regard to reaching its goal of becoming a leader in ESG management are impressive, but the total transformation of a company cannot be accomplished overnight. Instilling a common philosophy and goals in every workplace is difficult. Corporate governance simply means conducting quality control for management. I think a major role for outside directors is to assist in the adoption of the Company's philosophy and goals in every workplace in Japan and overseas.

Q. What is expected of you as outside directors, and what are you focusing on to meet those expectations?

Tanaka: From my first meeting with the management team, they have stressed their goal of becoming a leader in ESG management and their emphasis on integrity. Of course, providing happiness and

satisfaction to shareholders and other stakeholders in profitable ways is a must, but I was very impressed that management had clearly identified ESG management and integrity as their priority. They told me that they had nothing to hide, so they would show me all the workings of the Company.

In addition to Board of Directors meetings, outside officers are free to participate in every Management Meeting, to listen to all the topics and to give their opinions. I am a member of the Personnel Affairs and Remuneration Committee, where I can participate in honest and open discussions. The very first thing I was told about their goal of becoming a leader in ESG management and the



Two Outside Directors Share Their Views

emphasis on integrity—that they have nothing to hide—was no lie: Having nothing to hide is the result of the internal management team’s crisis mentality, which I felt supported them in expediting reforms and getting things done.

Therefore, I believe the role of outside directors is to contribute to governance, or as I called it, “quality control of management,” by talking openly about issues without pulling any punches and collaborating in their resolution. Execution is of course important, but ensuring transparency and accountability is also crucial. Outside directors also ask various questions and make suggestions on how to communicate with stakeholders to gain their understanding and build a framework to win their support for this positive trend. Slowly but steadily, the Company’s governance is evolving.

Kitazawa: When I was asked to become an outside director, I was told “We are conducting major reforms to become a better company. We want to cultivate a vibrant corporate culture with love of humanity at its core. To that end, we need advice from people from outside the Company who possess various types of experience.” I am a total amateur regarding housing, but I took on the role of outside director with the intention of meeting the Company’s expectations based on my various experiences as a manager. The Company is very open. It provides detailed management information and internal materials. I take the Company’s sincere attitude and expectations seriously and respond with determination as an outside director.



Q. What roles will the two of you play in management going forward?

Tanaka: Sekisui House has set forth its global vision to make home the happiest place in the world by providing high-quality housing stock that also features elements such as lifestyle design and services for eco-friendliness and health. The value of this integration of technologies, lifestyle design proposals and services has become clearer during the unprecedented crisis of the COVID-19 pandemic. What customers are looking for from high-quality housing stock—which they previously were vaguely aware of but didn’t think too hard about—is now sharply defined. The adverse circumstances of the pandemic have brought latent demands for living environments to the fore. I sense that these demands are behind the recovery trend in the Company’s business since the latter half of last year.

Kitazawa: Sekisui House has capable employees who take to heart the Company’s stance of valuing customers, and its philosophy of love of humanity has taken root throughout the Company. For Sekisui House to continue to grow sustainably, I think it is important to steadily cultivate the next generation of employees who will become the leaders of the future. To do so, the Company must boldly transfer authority regardless of gender and develop human resources by having them take on more difficult tasks. Now that the Company is making a major shift in that direction, as an outside director I intend to make a strong contribution to accelerating the process.

Tanaka: Instead of top management giving all the orders for front-line operations, the Company must change so that employees on the front lines come up with ideas on their own to increase customer satisfaction and corporate value. An important factor in making this change is helping employees grow in an open work

Two Outside Directors Share Their Views



environment. Discussions since last year at meetings of the Personnel Affairs and Remuneration Committee and the Board of Directors led to a decision to reform the executive officer system. Central to this idea was ensuring the ability to create a succession plan that firmly supports the management team. It is important that this succession plan be configured to consistently and precisely maintain an adequate pool of human resources for the current management team as well as for the managing officers and executive officers who will take charge after them. I think that in this reform of the executive officer system there was a very clear intention to create a framework for people to grow.

As for ESG management, what is required of a company changes from moment to moment. Developing human resources in-house is important for continuously responding to the changing environment and expectations and to generate sustainable results. However, the ability to flexibly recruit external talent and ensure diversity is also essential. Sekisui House has set specific targets for hiring women and promoting their advancement and has linked those targets to officer remuneration. However, to make the Company stronger and sustainable, I believe the Board of Directors, including the outside directors, must set the direction for creating an environment in which people can grow and diversity can be promoted.

Kitazawa: Generally speaking, properly addressing the changing society and diversifying customer needs requires putting more effort into research and development and proactively investing in new business fields, regardless of the industry. Therefore, a company's sound, sustainable growth and expansion of profits are vital from the perspective of not only its shareholders but all of its various stakeholders. However, expanding profits is just one measure for achieving sustainable growth, and if profit expansion becomes the main objective of management, it raises a concern about the possibility of scandals, which may hinder growth. I believe the foremost task for Sekisui House's management is to maintain its stance of continually providing better products from the customer's standpoint based on love of humanity in order to achieve continued growth 30, 50 and 100 years hence. That requires reforming the corporate culture throughout the Group so that everyone, including those at Group companies, can benefit from each other's potential.

Through ESG management, Sekisui House's management team is now actively working to make its corporate culture more dynamic to become a free and open, fully customer-oriented company based on greater transparency and a flatter organization. The Company will continue to develop and provide high-quality, eco-friendly housing, but this is not the only goal of ESG management. We are also aiming for the growth of employees through a solid commitment to addressing various social issues, further enhancement of workplace diversity, and aggressive promotion of governance reforms. In FY2021, the major initiative of ESG management will become firmly entrenched within the Company,



Two Outside Directors Share Their Views

which will then face the challenge of seeing whether it can also thoroughly implement such management at all Group companies. I intend to closely monitor this point as an outside director.

Tanaka: I will become Representative Director, Executive Vice President and Executive Officer this fiscal year. As a director, I will try to keep in mind how Sekisui House's culture and usual methods differ from the rest of the industry—in a good sense. I intend to continually ask what is truly best for the Company. On the other hand, as an executive officer, I will shift to the position of answering questions and putting plans into action. My first priority will be to make this an organization that helps people grow. My second priority will be to ensure that the Company's principles and philosophy are thoroughly understood and adopted by every workplace, including at Group companies. My third priority will be a methodical overseas rollout of Sekisui House's excellent domestic business model and profit base. The Board of Directors must set the direction, but it is the role of executives to keep things on course through their daily actions. I intend to carry this out speedily.

Kitazawa: Two of the four outside directors in FY2021, are newly appointed and possess extensive experience in their respective fields. I would like to start out by improving communication among all four of us to successfully combine our respective areas of expertise and work to further enhance the governance function of Sekisui House.

Because Japan's population is forecast to continue declining, it is commonly thought that the housing industry will also decline going forward, with no expectations for growth. Admittedly, there may be a limit to the increase in the number of houses built, but I believe

that as our society matures, customers' needs for truly comfortable housing are sure to grow. If Sekisui House continues to proactively provide high-quality, comfortable housing, it will certainly be able to grow by responding to these needs. Moreover, country, region and culture have a significant impact on housing, but Sekisui House's strengths lie in the pre-engineered production of high-quality, comfortable housing, so I think the Company will earn an even higher reputation in the future, not just in Japan but in the United States

and Europe as well. If it does, it will be able to provide housing to more customers, and in so doing maintain its ability to grow.

I hope that all Sekisui House employees and all members of the Sekisui House Group gain greater confidence for further growth and combine their capabilities to provide even more comfortable and pleasant housing. I also ask for shareholders understanding and support for Sekisui House's stance.



10-Year Highlights (Consolidated)

Financial Data

(Fiscal year)	2011	2012	2013	2014	2015	2016	2017	2018	2019	(Millions of yen)
										2020
Business performance										
Net sales	1,530,577	1,613,816	1,805,102	1,912,721	1,858,879	2,026,931	2,159,363	2,160,316	2,415,186	2,446,904
Gross profit	275,324	299,503	358,499	368,446	373,867	418,297	445,082	444,596	478,036	473,511
Gross profit margin (%)	18.0	18.6	19.9	19.3	20.1	20.6	20.6	20.6	19.8	19.4
Selling, general and administrative expenses	204,426	213,306	226,569	221,851	224,222	234,132	249,541	255,373	272,780	286,992
Operating income	70,897	86,196	131,930	146,595	149,645	184,164	195,540	189,223	205,256	186,519
Operating margin (%)	4.6	5.3	7.3	7.7	8.1	9.1	9.1	8.8	8.5	7.6
Ordinary income	70,075	91,767	137,794	156,426	160,589	190,989	203,678	195,190	213,905	184,697
Profit attributable to owners of parent	28,962	46,458	79,801	90,224	84,302	121,853	133,224	128,582	141,256	123,542
Return on investment										
ROE: Profit attributable to owners of parent ÷ equity capital (average of current and previous fiscal years) (%)	3.9	6.0	9.2	9.0	7.9	11.3	11.6	10.8	11.5	9.5
ROA: (Operating income + Interest and dividend income + Equity in earnings of affiliates) ÷ Total assets (%)	5.3	6.0	8.2	8.4	8.3	9.4	9.0	8.3	8.8	7.3
Assets and interest-bearing debt										
Total assets	1,445,828	1,539,272	1,769,005	1,929,409	2,029,794	2,184,895	2,419,012	2,413,035	2,634,748	2,625,861
Net assets	750,374	814,063	941,415	1,079,064	1,068,428	1,118,264	1,208,121	1,196,923	1,306,850	1,368,887
Equity capital	743,830	806,406	930,944	1,068,423	1,057,696	1,103,359	1,194,975	1,182,808	1,266,195	1,326,535
Equity capital ratio (%)	51.45	52.39	52.63	55.38	52.11	50.50	49.40	49.02	48.06	50.52
Interest-bearing debt	265,331	268,622	289,860	351,731	426,013	491,017	622,084	639,510	586,891	562,966
Debt/Equity ratio (%) ¹	35.7	33.3	31.1	32.9	40.3	44.5	52.1	54.1	46.4	42.4
Asset turnover ratio (Times)	1.10	1.08	1.09	1.03	0.94	0.96	0.94	0.89	0.96	0.93

1. Excluding hybrid bonds

10-Year Highlights (Consolidated)

(Fiscal year)	2011	2012	2013	2014	2015	2016	2017	2018	2019	(Millions of yen) 2020
	Cash flows									
Net cash from operating activities	26,306	82,582	78,073	117,358	45,884	115,820	165,355	125,088	363,766	191,972
Net cash from investing activities	(42,928)	(58,124)	(80,637)	(128,529)	(76,166)	(107,397)	(76,150)	(70,184)	(65,229)	(95,504)
Net cash from financing activities	38,002	(17,289)	(782)	19,611	32,084	5,511	30,154	(31,030)	(148,160)	(77,614)
Cash and cash equivalents at end of period	169,524	179,242	181,324	195,008	192,338	204,701	324,693	342,898	583,297	600,234
Investments										
Capital expenditure	43,312	60,915	130,243	121,550	81,258	98,277	68,799	58,680	73,255	96,609
Depreciation	18,034	19,015	22,581	25,692	24,438	23,125	21,983	22,155	21,518	21,726
Research and development expenses	4,366	4,318	4,507	4,726	4,772	4,991	5,181	6,041	7,313	9,665
Corporate value										
Market capitalization at end of period	484,649	680,946	985,007	1,067,964	1,329,946	1,297,656	1,379,985	1,123,051	1,630,703	1,382,375
Stock price at end of period (Yen)	716	1,006	1,434	1,526	1,874	1,828.5	1,998	1,626	2,361	2,019
Per-share information										
EPS: Net income (earnings) per share (Yen)	42.90	69.17	118.63	130.91	120.16	175.48	193.06	186.53	205.79	181.18
BPS: Book value per share (Yen)	1,107.43	1,200.63	1,358.60	1,527.52	1,508.81	1,598.90	1,731.60	1,718.82	1,852.62	1,948.12
Dividends per share (Yen)	20.00	28.00	43.00	50.00	54.00	64.00	77.00	79.00	81.00	84.00
Dividend payout ratio (%)	46.6	40.5	36.2	38.2	44.9	36.5	39.9	42.4	39.4	46.4
Stock price										
PER: Stock price at end of period ÷ Net income per share (Times)	16.69	14.54	12.09	11.66	15.60	10.42	10.35	8.72	11.47	11.14
PBR: Stock price at end of period ÷ Shareholders' equity per share (Times)	0.65	0.84	1.06	1.00	1.24	1.14	1.15	0.95	1.27	1.04

Key Performance Indicators

(Fiscal year)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
New Housing Starts in Japan (Units) ²										
Owner-occupied houses	305,626	311,589	354,772	285,270	283,366	292,287	284,283	283,235	288,738	261,088
Built for sale houses	234,571	246,810	263,931	237,428	241,201	250,532	255,191	255,263	267,696	240,268
Condominiums	116,755	123,203	127,599	110,475	115,652	114,570	114,830	110,510	117,803	107,884
Detached houses	116,798	122,590	134,888	125,421	123,624	133,739	138,189	142,393	147,522	130,753
Rented houses	285,832	318,521	356,263	362,191	378,718	418,543	419,397	396,404	342,289	306,753
Corporate houses	8,088	5,877	5,059	7,372	6,014	5,875	5,770	7,468	6,400	7,231
Total	834,117	882,797	980,025	892,261	909,299	967,237	964,641	942,370	905,123	815,340
Number of Houses Built by Sekisui House (Units)										
Custom detached houses	14,712	13,945	15,049	13,104	11,248	11,105	10,617	9,822	10,663	8,411
Built for sale houses	2,479	2,246	2,368	2,162	2,364	2,071	2,677	2,336	2,589	1,958
Rental houses	27,177	27,869	30,414	34,709	32,631	35,156	32,937	30,078	27,981	26,033
Condominiums (for sale)	932	1,038	1,921	1,250	2,002	1,231	1,184	1,499	2,081	1,510
Total	45,300	45,098	49,752	51,225	48,245	49,563	47,415	43,735	43,314	37,912
Sekisui House's market share in Japan (%)	5.4	5.1	5.1	5.7	5.3	5.1	4.9	4.6	4.8	4.6
Total number of houses built	2,090,339	2,135,437	2,185,189	2,236,414	2,284,659	2,334,222	2,381,637	2,425,372	2,468,686	2,506,598
Trends in Housing Built by Sekisui House										
Built-to-order detached houses										
Sales per detached house (Thousands of yen)	33,113	33,442	34,503	35,659	37,002	37,292	38,074	38,753	39,935	41,388
Floor area per detached house (Square meters)	139.21	139.93	141.09	140.25	140.43	138.63	137.94	138.03	137.68	135.91
Built-to-order low-rise apartments										
Sales per building (Thousands of yen)	52,638	55,196	61,284	68,549	76,771	83,612	93,959	100,194	102,415	117,962
Floor area per building (Square meters)	292.29	301.67	324.95	346.64	366.10	385.19	418.35	432.28	427.67	470.83
Trends in Sekisui House Real Estate Block Leasing Operation										
Occupancy rate (%) ³	95.6	96.0	96.2	96.4	96.5	96.5	96.7	97.8	97.7	97.7
Number of units under management (Units)	489,967	506,353	526,276	545,757	565,471	584,096	601,582	619,494	639,780	657,190

2. Calendar year basis

3. Presentation changed to monthly data from month-end data as of FY2018

Non-Financial Data

(Fiscal year)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Technology										
Customer satisfaction level (%)	95.4	95.0	95.1	95.3	95.3	95.4	95.6	95.8	95.9	96.1
Green First Zero (Net zero energy house) contracts (%) ⁴	—	—	49	62	71	74	76	79	87	91
CO ₂ emission reduction rate for custom detached houses sold (Compared with fiscal 1990) (%) ⁴	51.3	55.7	61.5	73.4	75.5	80.1	83.6	82.6	82.7	86.1
Human Resources/Labor										
Number of employees	21,275	21,476	22,379	22,913	23,089	23,299	24,391	24,775	27,397	28,362
Number of new university graduate hires	503	594	880	823	680	570	660	664	669	734
Number of new female university graduate hires (in above)	200	215	291	331	276	237	266	250	281	305
Ratio to number of new university graduate hires (%)	39.8	36.2	33.1	40.2	40.6	41.6	40.3	37.7	42.0	41.6
Average age (Years) ⁵	39.3	39.9	40.3	40.7	41.2	41.8	42.2	42.5	42.8	43.0
Average years of service ⁵	15.2	15.5	15.3	15.4	15.6	16.0	16.1	16.3	16.5	16.5
Ratio of persons with disabilities (%) ⁵	1.75	1.89	1.97	2.08	2.21	2.20	2.38	2.53	2.61	2.76
Average number of days of annual paid leave taken per person ^{6,7}	4.4	4.4	4.4	5.0	5.8	6.2	7.1	7.4	9.8	8.4
Percentage of employees taking annual paid leave (%)	23.7	23.6	23.6	27.0	32.8	35.0	39.7	42.2	56.1	46.5
Lost time injury frequency rate (%) ⁸	—	—	—	—	2.42	2.57	1.89	2.42	2.92	2.17
Average monthly work hours per person ⁹	—	—	—	—	171.4	170.0	168.3	170.3	168.2	176.7
Average monthly overtime work hours per person ⁶	33.2	28.3	28.2	26.9	28.0	28.2	25.9	24.6	23.3	22.0
Training investment (Millions of yen) ¹⁰	397	583	649	692	734	704	873	848	887	543
Diversity and Inclusion										
Number of female employees in managerial positions (Group-wide)	44	53	65	101	114	141	158	176	206	236
Ratio of female employees in managerial positions (Group-wide) (%)	1.00	1.58	1.52	2.26	2.43	2.79	2.94	3.10	3.44	3.79
Number of full-time female employees	4,265	4,333	4,547	4,767	4,954	5,142	5,431	5,657	5,930	6,225
Ratio of full-time female employees to total employees (%)	20.9	21.5	21.3	21.8	23.6	24.2	25.0	25.7	26.4	27.3
Number of female officers (directors, Audit & Supervisory Board members and executive officers) ⁵	—	—	—	—	—	—	—	3	3	3
Number of users of flexible work hour system ¹¹ (Shortened work-hour/sliding work schedule system)	173	223	585	659	814	1,000	1,017	1,151	1,026	1,318
Rate of return to the job after childcare leave (%) ⁵										
Male employees	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Female employees	93.3	94.1	93.0	93.3	93.5	95.8	100.0	95.3	97.5	97.3
Male employees use of childcare leave (%)	2.7	2.0	3.0	19.0	23.0	70.0	95.0	100.0	100.0	100.0

4. From FY2018, data for the period from April 1st to March 31st of the following year

5. Non-consolidated

6. Non-consolidated until FY2014

7. Calculation method changed from FY2020 to include managers

8. Non-consolidated until FY2019

9. Calculation method changed from FY2020 to include managers and exclude employees on leave

10. Non-consolidated until FY2018

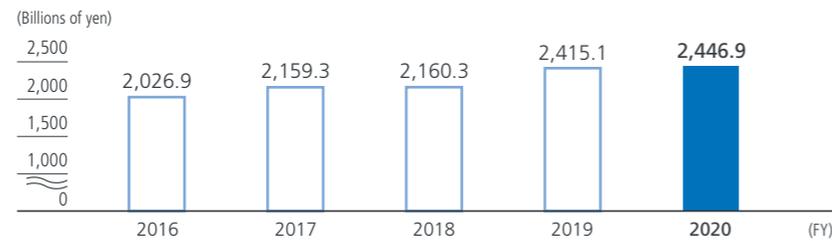
11. Non-consolidated until FY2012

Financial Analysis

Operating Results

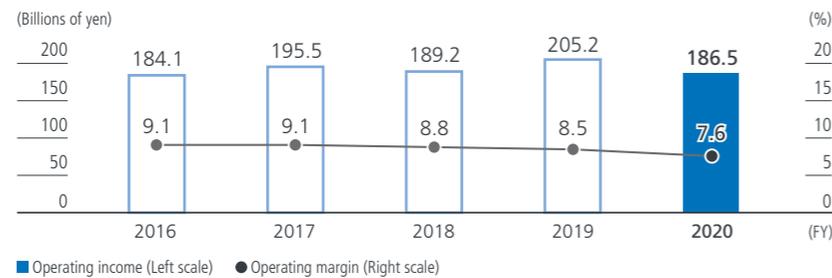
Net Sales

Net sales increased ¥31.7 billion year on year, or 1.3%, to ¥2,446.9 billion, driven by sales growth in the built-to-order business and steady expansion of the supplied housing business.



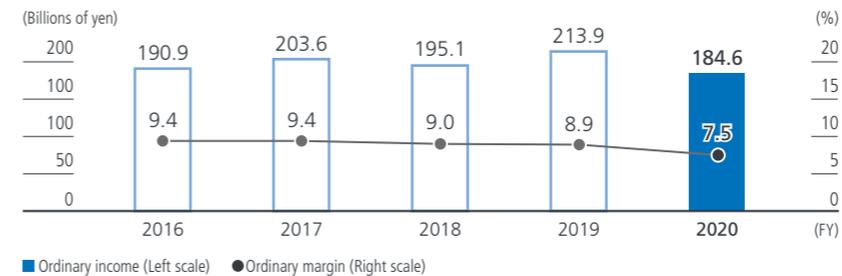
Operating Income

Operating income decreased ¥18.7 billion year on year, or 9.1%, to ¥186.5 billion due to factors including a decrease in orders in the custom detached houses business from the impact of the COVID-19 pandemic and a decline in profits in the United States, where the plan to sell some properties was revised.



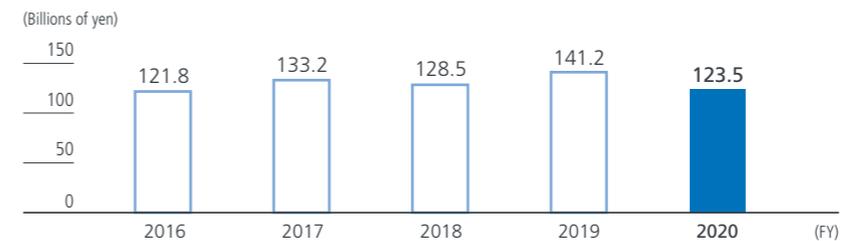
Ordinary Income

Ordinary income decreased ¥29.2 billion year on year, or 13.7%, to ¥184.6 billion due to a decrease in non-operating income, among other factors.



Profit Attributable to Owners of Parent

Profit attributable to owners of parent decreased ¥17.7 billion year on year, or 12.5%, to ¥123.5 billion.



Financial Position and Cash Flows

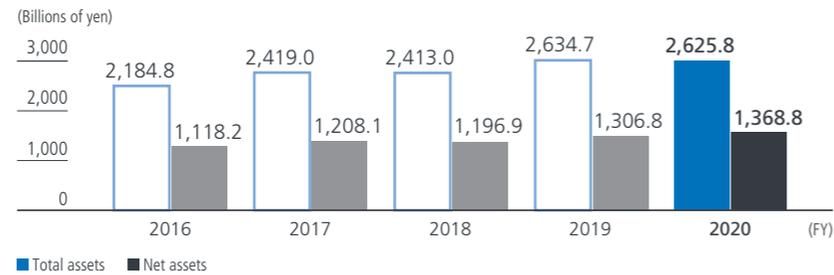
Financial Position

Total assets as of January 31, 2021 decreased 0.3% from a year earlier to ¥2,625.8 billion. Current assets decreased 1.9% to ¥1,780.7 billion, primarily attributable to a decrease in real estate for sale. Non-current assets increased 3.2% to ¥845.1 billion due to an increase in property, plant and equipment and other factors.

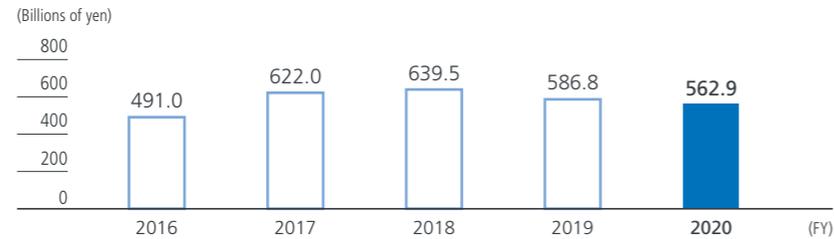
Total liabilities decreased 5.3% from a year earlier to ¥1,256.9 billion, mainly reflecting decreases in advances received on construction projects in progress, notes and accounts payable and interest-bearing debt.

Net assets increased 4.7% from a year earlier to ¥1,368.8 billion, including an increase in retained earnings from posting ¥123.5 billion in profit attributable to owners of parent.

Total Assets and Net Assets



Interest-Bearing Debt



Cash Flows

► Cash Flows from Operating Activities

Net cash provided by operating activities decreased ¥171.7 billion to ¥191.9 billion due to factors including profit before income taxes of ¥185.4 billion.

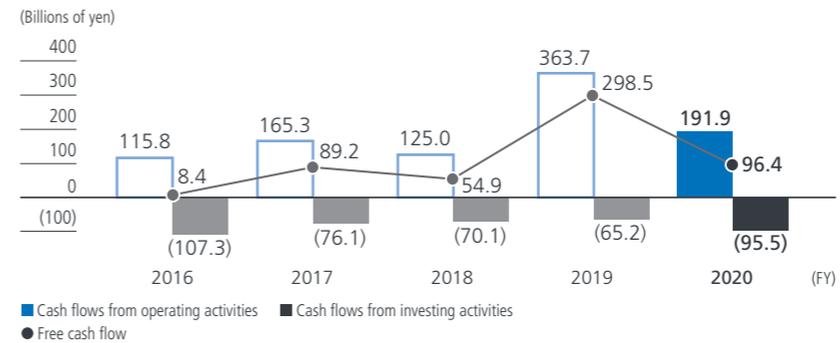
► Cash Flows from Investing Activities

Net cash used in investing activities increased ¥30.2 billion year on year to ¥95.5 billion. Purchases of property, plant and equipment, including real estate for lease, decreased ¥20.8 billion to ¥87.4 billion.

► Cash Flows from Financing Activities

Net cash used in financing activities decreased ¥70.5 billion year on year to ¥77.6 billion. Cash dividends paid increased ¥3.6 billion to ¥58.7 billion.

Cash Flows



Results by Segment

Built-to-Order Business

In the built-to-order business, sales increased but income decreased. In the custom detached houses business, the Company launched Family Suite *Ouchi* Premium, which incorporates new lifestyle proposals for people spending more time at home into the Family Suite, the product of research into houses where people become happier the longer they reside in them. It has been well received, with an adoption rate of about 60%. The Company also promoted Green First Zero, its net zero energy house (ZEH), with an adoption rate reaching 91%. In all products, the Company made proposals for life after COVID-19, including working from home.

In the rental housing business, the Company sought to win more orders, primarily for three- to four-story properties, by conducting exhaustive marketing in specific areas focused on urban districts and strengthening value-added proposals that lead to stable long-term management, including the promotion of ZEH and the incorporation of elevators.

In the architectural/civil engineering business, Konoike Construction, which became a consolidated subsidiary on October 1, 2019, posted construction and civil engineering sales. The Company also carried out sales promotion activities in the non-residential sector, which includes reinforced concrete (RC) commercial buildings, shops, offices and nursery schools.

Built-to-order business sales totaled ¥984.9 billion, up 12.9% year on year, and operating income was ¥95.3 billion, down 4.1% year on year.

Supplied Housing Business

In the supplied housing business, sales increased but income decreased. In the remodeling business, the Company continued to enhance proposal-based remodeling, which offers lifestyle ideas, and environment-based remodeling, such as energy-saving renovation, and took steps to bolster its sales structure.

In the real estate management fees business, the Sekiwa Real Estate companies changed their trade name to Sekisui House Real Estate and strengthened the rental housing management and brokerage businesses to unify products under the Sekisui House brand and to improve the integrated business operation of the entire Group. Sha Maison rental housing units under the sublease service system and housing units under management both steadily increased in number and high occupancy rates were maintained.

Supplied housing business sales totaled ¥698.7 billion, up 1.6% year on year, and operating income was ¥64.3 billion, down 0.4% year on year.

Development Business

In the development business, sales and income decreased. In the houses for sale business, the Company continued to actively procure high quality land for first-time buyers and worked to enhance sales to raise asset turnover.

In the condominium business, the Company continued to implement its thorough area-specific strategies and advanced its brand strategies by integrating homebuilding knowhow gained from its custom detached houses.

In the urban redevelopment business, occupancy rates remained firm for rental properties owned by the Sekisui House Group, such as offices, commercial buildings and Prime Maison rental houses developed by the Company. Although income from hotels declined due to a decrease in the number of Japanese travelers and visitors from overseas due to the impact of COVID-19, sales of properties to Sekisui House Reit, Inc. and others were carried out as planned.

Development business sales totaled ¥321.1 billion, down 17.0% year on year, and operating income was ¥32.9 billion, down 16.4% year on year.

Overseas Business

In the overseas business, sales and income decreased. The Company conducted activities in line with the different measures taken in each country facing the spread of COVID-19. In the United States, the Company completed delivery of three projects including Bear Creek (Denver) and Kiara (Seattle) in the multifamily business. However, the Company rescheduled plans for the sale of some of the properties to the following fiscal year or thereafter. In China, closings for condominium units in Suzhou progressed smoothly. In Australia, the Company reviewed its profit plan for the condominium business but completed closings for phase 1 of Sanctuary and Melrose Park (Sydney), and closings for The Hermitage (Sydney) advanced steadily in the housing land development business.

Overseas business sales totaled ¥370.6 billion, down 4.9% year on year, and operating income was ¥39.7 billion, down 10.9% year on year.

Sales and Operating Income by Segment

		(Millions of yen)									
(Fiscal year)		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sales	Built-to-Order Business										
	Custom detached houses	475,330	465,149	517,691	427,044	393,786	383,129	371,171	357,944	390,995	323,332
	Rental housing	289,027	303,712	356,202	398,483	400,601	440,312	442,845	416,062	360,026	358,745
	Architectural/Civil engineering	—	—	—	—	—	—	—	—	120,986	302,837
	Subtotal	764,358	768,862	873,894	825,527	794,388	823,442	814,017	774,006	872,008	984,915
	Supplied Housing Business										
	Remodeling	102,180	111,548	125,046	134,166	134,458	133,498	136,843	141,416	152,729	141,090
	Real estate management fees	378,247	393,978	408,403	428,227	448,751	469,132	489,891	514,035	534,876	557,632
	Subtotal	480,427	505,527	533,450	562,393	583,210	602,631	626,735	655,452	687,606	698,722
	Development Business										
	Houses for sale	127,123	127,810	133,405	118,730	137,484	142,014	155,481	148,880	151,268	139,151
	Condominiums	39,681	52,538	63,083	56,699	81,470	66,125	77,497	89,581	103,984	77,091
	Urban redevelopment	37,720	45,528	42,428	178,344	93,038	130,491	103,777	173,391	131,920	104,953
	Subtotal	204,524	225,877	238,917	353,774	311,993	338,631	336,756	411,853	387,173	321,195
Overseas Business											
Subtotal	24,264	54,844	85,392	79,835	89,522	182,127	306,716	245,953	389,866	370,686	
Other	57,002	58,704	73,447	91,190	79,764	80,099	75,137	73,050	78,531	71,384	
Total	1,530,577	1,613,816	1,805,102	1,912,721	1,858,879	2,026,931	2,159,363	2,160,316	2,415,186	2,446,904	
Operating income	Built-to-Order Business										
	Custom detached houses	52,476	48,800	65,813	48,894	47,208	49,514	48,043	42,255	45,942	32,231
	Rental housing	26,595	27,547	36,492	45,825	51,918	60,832	60,883	50,376	49,710	47,052
	Architectural/Civil engineering	—	—	—	—	—	—	—	—	3,730	16,051
	Subtotal	79,072	76,347	102,306	94,719	99,127	110,347	108,926	92,632	99,383	95,335
	Supplied Housing Business										
	Remodeling	9,624	11,542	14,037	14,997	15,847	17,544	19,760	21,109	23,535	20,479
	Real estate management fees	14,260	17,039	20,064	23,405	26,819	31,278	33,133	39,407	41,054	43,869
	Subtotal	23,885	28,582	34,101	38,402	42,667	48,823	52,893	60,516	64,589	64,348
	Development Business										
	Houses for sale	3,685	1,580	8,143	8,491	11,919	8,822	13,460	11,088	12,259	7,586
	Condominiums	(9,947)	1,004	3,978	4,738	8,031	2,248	9,229	6,478	10,134	8,817
	Urban redevelopment	9,974	9,787	8,561	25,802	24,747	23,414	16,994	40,403	17,045	16,565
	Subtotal	3,712	12,372	20,683	39,032	44,698	34,485	39,684	57,970	39,439	32,969
Overseas Business											
Subtotal	(3,176)	4,247	8,581	4,419	(5,673)	25,172	29,761	16,340	44,551	39,708	
Other	(35)	(445)	1,690	3,123	2,511	726	1,234	(44)	(273)	(2,480)	
Eliminations and adjustments	(32,560)	(34,907)	(35,434)	(33,102)	(33,686)	(35,390)	(36,960)	(38,192)	(42,434)	(43,363)	
Total	70,897	86,196	131,930	146,595	149,645	184,164	195,540	189,223	205,256	186,519	

Note: Architectural/Civil engineering became a reportable segment as of FY2020. The figures for FY2019 have been restated.

Sekisui House, Ltd. and Subsidiaries Consolidated Financial Statements

Year ended January 31, 2021

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Independent Auditor's Report

The Board of Directors
Sekisui House, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Sekisui House, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at January 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at January 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we

have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's

ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended January 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Osaka, Japan

April 27, 2021



Shin Ichinose
Designated Engagement Partner
Certified Public Accountant



Yasuhiro Kozaki
Designated Engagement Partner
Certified Public Accountant



Yusaku Iriyama
Designated Engagement Partner
Certified Public Accountant

Consolidated Balance Sheet

Sekisui House, Ltd. and Subsidiaries
January 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Assets			
Current assets:			
Cash and cash equivalents (Note 17)	¥ 600,234	¥ 583,297	\$ 5,744,966
Short-term investments (Note 17)	50	1,337	479
Notes and accounts receivable:			
Affiliates	5,620	1,535	53,790
Trade (Note 17)	139,981	133,978	1,339,788
Other	33,515	34,980	320,779
Less allowance for doubtful accounts	(1,073)	(1,186)	(10,270)
	178,042	169,306	1,704,077
Inventories (Notes 4 and 8)	947,747	1,005,203	9,071,085
Other current assets (Note 8)	54,637	56,859	522,942
Total current assets	1,780,711	1,816,005	17,043,559
Property, plant and equipment, at cost:			
Land (Notes 4, 5, 6 and 8)	287,307	284,769	2,749,876
Buildings and structures (Notes 4, 5, 6 and 8)	363,229	355,787	3,476,541
Machinery, equipment and other (Note 5)	112,080	109,815	1,072,741
Construction in progress	42,516	28,267	406,930
	805,134	778,639	7,706,106
Less accumulated depreciation	(269,740)	(268,083)	(2,581,738)
Property, plant and equipment, net	535,393	510,556	5,124,359

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Investments and other assets:			
Long-term loans receivable	18,952	36,568	181,394
Less allowance for doubtful accounts	(498)	(486)	(4,766)
	18,453	36,081	176,618
Investments in securities (Notes 3, 8 and 17)	113,090	115,808	1,082,408
Investments in affiliates (Note 17)	67,479	41,906	645,856
Goodwill (Note 19)	1,575	3,097	15,075
Intangible assets	18,151	15,564	173,727
Deferred income taxes (Note 9)	24,597	31,007	235,423
Asset for retirement benefits (Note 10)	1,381	1,502	13,218
Other assets (Note 8)	65,026	63,218	622,377
Total investments and other assets	309,756	308,186	2,964,740
	¥2,625,861	¥2,634,748	\$25,132,667

Consolidated Balance Sheet

Sekisui House, Ltd. and Subsidiaries
January 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Liabilities and net assets			
Current liabilities:			
Short-term loans (Notes 7, 8 and 17)	¥ 166,019	¥ 166,486	\$ 1,589,003
Short-term bonds (Notes 7 and 17)	30,000	15,000	287,136
Current portion of long-term debt and lease obligation (Notes 7, 8 and 17)	57,385	19,526	549,244
Notes and accounts payable (Note 17):			
Affiliates	2,599	3,206	24,876
Trade	200,153	216,343	1,915,706
Accrued income taxes (Note 9)	29,704	30,980	284,303
Advances received on construction projects in progress	208,750	241,805	1,997,990
Accrued employees' bonuses	26,105	27,939	249,856
Accrued directors' and corporate auditors' bonuses	1,258	1,523	12,041
Provision for warranties for completed construction	3,164	3,352	30,283
Other current liabilities	110,621	95,701	1,058,777
Total current liabilities	835,763	821,866	7,999,263
Long-term liabilities:			
Long-term debt and lease obligation (Notes 7, 8 and 17)	309,562	385,877	2,962,883
Guarantee deposits received (Note 8)	59,169	59,164	566,319
Accrued retirement benefits for directors and corporate auditors	857	1,107	8,203
Liability for retirement benefits (Note 10)	43,011	49,414	411,667
Deferred income taxes (Note 9)	364	2,179	3,484
Other liabilities (Note 11)	8,245	8,286	78,915
Total long-term liabilities	421,211	506,030	4,031,499

Contingent liabilities (Notes 8 and 12)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net assets:			
Shareholders' equity (Notes 13 and 24):			
Common stock:			
Authorized: 1,978,281,000 shares			
Issued: 684,683,466 shares in 2021 and 690,683,466 shares in 2020	202,591	202,591	1,939,041
Capital surplus	258,989	258,994	2,478,838
Retained earnings	839,985	786,591	8,039,673
Less treasury stock, at cost	(6,883)	(13,668)	(65,879)
Total shareholders' equity	1,294,682	1,234,509	12,391,673
Accumulated other comprehensive income:			
Net unrealized holding gain on securities	40,174	39,894	384,514
Deferred loss on hedges	(45)	(60)	(431)
Translation adjustments	2,355	11,174	22,540
Retirement benefits liability adjustments	(10,631)	(19,322)	(101,752)
Total accumulated other comprehensive income	31,852	31,686	304,862
Stock subscription rights (Note 13)	508	609	4,862
Non-controlling interests	41,842	40,044	400,479
Total net assets	1,368,887	1,306,850	13,101,905
	¥2,625,861	¥2,634,748	\$25,132,667

*See notes to consolidated financial statements.

Consolidated Statement of Income

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net sales (Notes 6, 19 and 20)	¥2,446,904	¥2,415,186	\$23,419,832
Cost of sales (Notes 4, 6 and 13)	1,973,393	1,937,150	18,887,758
Gross profit	473,511	478,036	4,532,073
Selling, general and administrative expenses (Notes 13, 14 and 19)	286,992	272,780	2,746,861
Operating income	186,519	205,256	1,785,212
Other income (expenses):			
Interest and dividend income	4,939	5,788	47,272
Interest expense	(2,769)	(4,915)	(26,503)
Loss on disposal or sales of fixed assets	(1,319)	(1,492)	(12,624)
Equity in earnings of affiliates	619	10,483	5,925
Foreign exchange (loss) gain, net	(3,575)	716	(34,217)
Gain on sales of investments in securities (Note 3) ...	3,594	718	34,399
Loss on sales of investments in securities (Note 3) ...	(16)	(434)	(153)
Loss related to COVID-19	(615)	—	(5,886)
Loss on revaluation of investments in securities (Note 3) ...	(490)	—	(4,690)
Loss on impairment of fixed assets (Notes 5 and 19) ...	(356)	(13,552)	(3,407)
Gain on step acquisitions	—	8,598	—
Gain on sales of shares of subsidiaries and affiliates	—	3,640	—
Other, net	(1,034)	(3,424)	(9,897)
Profit before income taxes	185,494	211,383	1,775,402
Income taxes (Note 9):			
Current	57,091	60,197	546,430
Deferred	(1,021)	2,656	(9,772)
	56,070	62,853	536,658
Profit	129,423	148,529	1,238,735
Profit attributable to:			
Non-controlling interests	5,881	7,273	56,288
Owners of parent	¥ 123,542	¥ 141,256	\$ 1,182,446

*See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Profit	¥129,423	¥148,529	\$1,238,735
Other comprehensive (loss) income (Note 21):			
Net unrealized holding (loss) gain on securities	(196)	7,382	(1,876)
Translation adjustments	(8,219)	(10,152)	(78,666)
Retirement benefits liability adjustments	8,724	3,278	83,499
Share of other comprehensive loss of affiliates accounted for by the equity method	(602)	(450)	(5,762)
Total other comprehensive (loss) income	(294)	58	(2,814)
Comprehensive income	¥129,129	¥148,588	\$1,235,921
Total comprehensive income attributable to:			
Owners of parent	¥123,707	¥141,023	\$1,184,026
Non-controlling interests	5,421	7,564	51,886

*See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2021

	Millions of yen											
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income					Non-controlling interests	Total net assets
						Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustments	Retirement benefits liability adjustments	Stock subscription rights		
Balance at February 1, 2019	690,683,466	¥202,591	¥251,563	¥700,949	¥ (4,215)	¥33,146	¥(56)	¥ 21,269	¥(22,440)	¥ 803	¥13,312	¥1,196,923
Cumulative effects of changes in accounting policies.....	—	—	—	(304)	—	—	—	—	—	—	—	(304)
Restated balance	690,683,466	¥202,591	¥251,563	¥700,645	¥ (4,215)	¥33,146	¥(56)	¥ 21,269	¥(22,440)	¥ 803	¥13,312	¥1,196,619
Cash dividends.....	—	—	—	(55,077)	—	—	—	—	—	—	—	(55,077)
Profit attributable to owners of parent for the year	—	—	—	141,256	—	—	—	—	—	—	—	141,256
Purchases of treasury stock.....	—	—	—	—	(10,012)	—	—	—	—	—	—	(10,012)
Sales of treasury stock.....	—	—	—	(232)	559	—	—	—	—	—	—	327
Purchases of shares of consolidated subsidiaries.....	—	—	308	—	—	—	—	—	—	—	—	308
Change in equity of parent arising from transaction with non-controlling shareholders.....	—	—	7,122	—	—	—	—	—	—	—	—	7,122
Other changes	—	—	—	—	—	6,747	(4)	(10,095)	3,118	(193)	26,732	26,306
Balance at February 1, 2020	690,683,466	¥202,591	¥258,994	¥786,591	¥(13,668)	¥39,894	¥(60)	¥ 11,174	¥(19,322)	¥ 609	¥40,044	¥1,306,850
Cash dividends.....	—	—	—	(58,726)	—	—	—	—	—	—	—	(58,726)
Profit attributable to owners of parent for the year	—	—	—	123,542	—	—	—	—	—	—	—	123,542
Purchases of treasury stock.....	—	—	—	—	(5,010)	—	—	—	—	—	—	(5,010)
Sales of treasury stock.....	—	—	—	(99)	472	—	—	—	—	—	—	373
Retirement of treasury stock	(6,000,000)	—	—	(11,323)	11,323	—	—	—	—	—	—	—
Purchases of shares of consolidated subsidiaries.....	—	—	(3)	—	—	—	—	—	—	—	—	(3)
Change in equity of parent arising from transaction with non-controlling shareholders.....	—	—	(1)	—	—	—	—	—	—	—	—	(1)
Other changes	—	—	—	—	—	279	14	(8,819)	8,691	(100)	1,797	1,863
Balance at January 31, 2021	684,683,466	¥202,591	¥258,989	¥839,985	¥ (6,883)	¥40,174	¥(45)	¥ 2,355	¥(10,631)	¥ 508	¥41,842	¥1,368,887

Consolidated Statement of Changes in Net Assets

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2021

	Thousands of U.S. dollars (Note 1)										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income				Stock subscription rights	Non-controlling interests	Total net assets
					Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustments	Retirement benefits liability adjustments			
Balance at February 1, 2020	\$1,939,041	\$2,478,886	\$7,528,627	\$(130,819)	\$381,834	\$(574)	\$106,949	\$(184,935)	\$5,829	\$383,270	\$12,508,136
Cash dividends.....	—	—	(562,079)	—	—	—	—	—	—	—	(562,079)
Profit attributable to owners of parent for the year	—	—	1,182,446	—	—	—	—	—	—	—	1,182,446
Purchases of treasury stock.....	—	—	—	(47,952)	—	—	—	—	—	—	(47,952)
Sales of treasury stock.....	—	—	(948)	4,518	—	—	—	—	—	—	3,570
Retirement of treasury stock	—	—	(108,375)	108,375	—	—	—	—	—	—	—
Purchases of shares of consolidated subsidiaries	—	(29)	—	—	—	—	—	—	—	—	(29)
Change in equity of parent arising from transaction with non-controlling shareholders.....	—	(10)	—	—	—	—	—	—	—	—	(10)
Other changes	—	—	—	—	2,670	134	(84,408)	83,183	(957)	17,199	17,831
Balance at January 31, 2021	\$1,939,041	\$2,478,838	\$8,039,673	\$ (65,879)	\$384,514	\$(431)	\$ 22,540	\$(101,752)	\$4,862	\$400,479	\$13,101,905

*See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities			
Profit before income taxes	¥185,494	¥ 211,383	\$1,775,402
Adjustments for:			
Depreciation and amortization	21,726	21,518	207,944
Loss on impairment of fixed assets	356	13,552	3,407
Increase in liability for retirement benefits.....	1,355	550	12,969
Decrease (increase) in asset for retirement benefits	4,919	(1,567)	47,081
Interest and dividend income	(4,939)	(5,788)	(47,272)
Interest expense.....	2,769	4,915	26,503
Equity in earnings of affiliates	(619)	(10,483)	(5,925)
Gain on step acquisitions	—	(8,598)	—
Gain on sales of investments in securities, net	(3,578)	(283)	(34,246)
Loss on revaluation of investments in securities	490	—	4,690
Gain on sales of shares of subsidiaries and affiliates.....	—	(3,640)	—
Increase in notes and accounts receivable	(10,246)	(18,176)	(98,067)
Decrease in inventories.....	71,847	161,677	687,663
Decrease in notes and accounts payable.....	(14,672)	(13,523)	(140,429)
(Increase) decrease in advances received on construction projects in progress.....	(32,906)	71,973	(314,950)
Other.....	26,857	6,083	257,054
Subtotal	248,853	429,592	2,381,824
Interest and dividends received	5,192	8,794	49,694
Interest paid.....	(3,574)	(6,440)	(34,208)
Income taxes paid	(58,499)	(68,180)	(559,906)
Net cash provided by operating activities	191,972	363,766	1,837,404

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from investing activities			
Purchases of property, plant and equipment	(87,490)	(66,622)	(837,385)
Proceeds from sales of property, plant and equipment.....	1,183	413	11,323
Purchases of investments in securities	(12,427)	(10,644)	(118,941)
Proceeds from sales and redemption of investments in securities	6,927	8,627	66,300
Increase in loans receivable.....	(1,902)	(955)	(18,204)
Collection of loans receivable	2,776	6,927	26,570
Other.....	(4,571)	(2,974)	(43,750)
Net cash used in investing activities	(95,504)	(65,229)	(914,089)
Cash flows from financing activities			
Increase (decrease) in short-term loans, net.....	8,968	(70,523)	85,835
Proceeds from long-term debt	28,666	88,130	274,368
Repayment of long-term debt.....	(32,351)	(62,354)	(309,638)
Redemption of bonds.....	(15,000)	(20,000)	(143,568)
Cash dividends paid	(58,726)	(55,077)	(562,079)
Purchases of treasury stock.....	(5,010)	(10,012)	(47,952)
Payment for acquisition of treasury stock by a consolidated subsidiary	(2)	(7,930)	(19)
Purchases of shares of subsidiary that do not result in change in scope of consolidation	(773)	(1,709)	(7,399)
Other.....	(3,386)	(8,683)	(32,408)
Net cash used in financing activities	(77,614)	(148,160)	(742,860)
Effect of exchange rate changes on cash and cash equivalents	(1,917)	(3,959)	(18,348)
Net increase in cash and cash equivalents	16,936	146,417	162,098
Cash and cash equivalents at beginning of period.....	583,297	342,898	5,582,858
Net increase in cash and cash equivalents resulting from change in scope of consolidation (Note 22)	—	93,981	—
Cash and cash equivalents at end of period	¥600,234	¥ 583,297	\$5,744,966

*See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sekisui House, Ltd. and Subsidiaries
January 31, 2021

1. Basis of Preparation

The accompanying consolidated financial statements of Sekisui House, Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”). In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassifications of previously reported amounts have been made to conform the accompanying consolidated financial statements for the year ended January 31, 2020 to the 2021 presentation. Such reclassifications had no effect on consolidated profit or cash flow.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted, except for per share data. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the readers and has been made at ¥104.48 = U.S.\$1.00, the approximate rate of exchange in effect on January 31, 2021. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany transactions and accounts have been eliminated in consolidation. Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are accounted for by the equity method.

Investments in unconsolidated subsidiaries and affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

When the Company holds ownership interests of more than 20% to 50% of voting stock in an investee but does not have significant influence over the entity, it is excluded from the scope of equity-method affiliates.

For consolidation purposes, the financial statements of the subsidiaries whose balance sheet dates are either March 31, May 31 or November 30 were prepared based on provisional financial statements as of January 31. The balance sheet date of certain subsidiaries is either November 30 or December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from their closing dates through the consolidated balance sheet date, January 31 have been adjusted, if necessary.

In the current fiscal year, Konoike Construction Co., Ltd. and its subsidiaries changed their balance sheet dates from September 30 to December 31 and November 30, respectively. For subsidiaries that prepared provisional financial statements as of December 31, 2019 for consolidation purposes, significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from December 31, 2019 through the consolidated balance sheet date have been adjusted, as necessary, and the impact on the consolidated financial statements for the fiscal year was immaterial.

(b) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding forward foreign exchange contract rates. Gain or loss on each translation is credited or charged to income.

All assets and liabilities of overseas subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date except that the components of net assets are translated at their historical exchange rates. The income statement accounts are translated at the average exchange rate during the year. Differences arising from the translations are included in “Translation adjustments” and “Non-controlling interests” in the accompanying consolidated balance sheets.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, deposits held at call with banks, net of overdrafts, and all highly liquid investments with maturities of three months or less.

(d) Short-term investments and investments in securities

Securities other than those of affiliates are classified into three categories: trading securities, held-to-maturity debt securities and other securities.

Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with

Notes to Consolidated Financial Statements

any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

Under the Corporation Law of Japan (the "Law"), unrealized holding gains on other securities, net of the related taxes, is not available for distribution as dividends.

(e) Inventories

Land held for sale, land held for development, construction for sale, including projects under construction and contracts in process are stated at the lower of cost or net selling value, cost being determined by the individual cost method. Other inventories are stated at the lower of cost or net selling value, cost being determined by the moving average method.

(f) Property, plant and equipment (except for leased assets)

Depreciation of buildings (except for structures attached to the buildings acquired prior to April 1, 2016) and structures attached to the buildings and structures acquired on or after April 1, 2016 is computed by the straight-line method over the estimated useful lives of the respective assets. Depreciation of other property, plant and equipment is computed by the declining-balance method over the estimated useful lives of the respective assets.

(g) Goodwill

Goodwill is amortized using the straight-line method over the respective determinable useful lives or a period of 5 years if the useful lives are indeterminable. Goodwill is charged to income in the year of acquisition if immaterial.

(h) Intangible assets (except for leased assets)

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

(i) Leases

Leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalized and depreciated or amortized over the respective lease terms to a nil residual value by the straight-line method.

(j) Income taxes

Income taxes are calculated based on taxable income and are determined in accordance with the applicable

tax laws and charged to income on an accrual basis. The Group recognizes the tax effect of the temporary differences between assets and liabilities for financial reporting purposes and for income tax purposes.

(k) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

Consumption taxes paid not offset by consumption taxes received in accordance with the Consumption Tax Act of Japan are charged to income when incurred. In certain subsidiaries, which are mainly engaged in the real estate leasing business, consumption taxes paid not offset by consumption taxes received in accordance with the Consumption Tax Act of Japan that arise from the purchases of tangible fixed assets are recorded as "Other assets" and amortized over 5 years by the straight-line method.

(l) Allowance for doubtful accounts

The allowance for doubtful accounts is provided based on the actual historical percentage of bad debts and an estimate of uncollectible amounts determined by an assessment of individual receivables.

(m) Accrued employees' bonuses

Accrued employees' bonuses is provided at the estimated amounts of bonuses to be paid to the employees in the following year which has been allocated to the current fiscal year.

(n) Accrued directors' and corporate auditors' bonuses

Accrued directors' and corporate auditors' bonuses are provided for payments of bonuses to directors and corporate auditors based on an estimated amount.

(o) Provision for warranties for completed construction

Provision for warranties for completed construction is provided for anticipated future costs based on past experience arising from warranties on completed construction and sold houses.

(p) Retirement benefits

The retirement benefit is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

Actuarial gain or loss is amortized from the year following the year in which such gain or loss is recognized principally by the straight-line method over a period of 5-14 years.

Prior service cost is amortized by the straight-line method over a period of 5-13 years.

Directors and corporate auditors of certain domestic subsidiaries are customarily entitled to lump-sum payments under an unfunded retirement benefit plan. The accrued retirement benefits for these officers have been made at an estimated amount based on each subsidiary's internal regulations.

Notes to Consolidated Financial Statements

(q) Recognition of revenues and costs of construction contracts

Revenues and costs of construction contracts are recognized by the percentage-of-completion method when the progress toward completion, revenues and costs can be estimated reliably. The percentage of completion is measured by comparing costs incurred to date with the most recent estimate of the total costs required to complete the contract (cost-to-cost basis.) The completed-contract method has been applied to those construction contracts not accounted for by the percentage-of-completion method.

(r) Recognition of revenue derived from finance lease transactions as a lessor

Revenue from finance lease transactions and its related cost are recognized upon receipt of lease payments.

(s) Research and development cost

Research and development cost is charged to income as incurred.

(t) Capitalization of interest expenses

Interest expenses incurred for real estate development projects conducted by certain overseas subsidiaries have been capitalized as a part of the development cost of such projects.

For the years ended January 31, 2021 and 2020, interest expenses that were capitalized and included in inventories as part of "Construction for sale, including projects under construction," "Land held for sale" and "Land held for development" were ¥6,913 million (\$66,166 thousand) and ¥7,485 million, ¥9,827 million (\$94,056 thousand) and ¥9,672 million, and ¥436 million (\$4,173 thousand) and ¥672 million, respectively.

(u) Derivative transactions and hedge accounting

Derivative positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability.

When forward foreign exchange contracts meet certain criteria, receivables and payables covered by the contract are translated at the contracted rates ("allocation method").

Hedging instruments and hedged items are as follows:

(i) Hedging instruments	Foreign exchange contracts
Hedged items	Foreign currency trade receivables and payables and forecasted transactions
(ii) Hedging instruments	Interest rate swap contracts
Hedged items	Bank loans

Such derivative transactions are entered into to reduce the foreign currency exchange risk or interest rate fluctuation risk. Notional amounts related to forward foreign exchange contracts are set within the amounts of import transactions denominated in the foreign currencies. Notional amounts related to interest rate swap contracts are set within the amounts of underlying borrowings.

The Company also formally assesses, at the hedge's inception, whether the derivatives used in the hedging transactions are highly effective in offsetting any changes in fair values or cash flows of the hedged items so that the actual fluctuations of each hedge are within the acceptable range of approximately 80% to 125%. However, an evaluation of effectiveness of forward foreign exchange contracts was omitted because the significant terms related to the hedged items and hedging instruments are the same and cash flows are also fixed.

(v) Accounting standards issued but not yet effective

Accounting Standard and Implementation Guidance for Revenue Recognition

- On March 31, 2020, the Accounting Standards Board of Japan ("ASBJ") issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29)
- On March 31, 2020, the ASBJ issued "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States co-developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (issued as IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on the fact that IFRS 15 has been applied from fiscal years starting on or after January 1, 2018 and Topic 606 has been applied from fiscal years starting after December 15, 2017.

As the basic policy of the ASBJ in developing accounting standards for revenue recognition, the ASBJ defined the accounting standard starting with incorporating the basic principle of IFRS 15 from a standpoint of comparability between financial statements, which is one benefit of ensuring consistency with IFRS 15. Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to common accounting practices in Japan, etc.

Notes to Consolidated Financial Statements

(2) Scheduled date of adoption

The Company and its domestic subsidiaries plan to adopt the accounting standard and implementation guidance effective from the beginning of the fiscal year ending January 31, 2023.

(3) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of adopting the accounting standard and implementation guidance on its consolidated financial statements.

Accounting Standard and Implementation Guidance on Fair Value Measurement

- On July 4, 2019, the ASBJ issued “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30)
- On July 4, 2019, the ASBJ issued “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9)
- On July 4, 2019, the ASBJ issued “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)
- On July 4, 2019, the ASBJ issued “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31)
- On March 31, 2020, the ASBJ issued “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) each provides detailed guidance on fair value measurement, “IFRS 13 Fair Value Measurement” and “Accounting Standards Codification Fair Value Measurement (Topic 820),” with approximately identical content.

Under the circumstances, the ASBJ has issued “Accounting Standard and Implementation Guidance on Fair Value Measurement” so that Japanese Accounting Standards ensure international consistency mainly in guidance and disclosure of fair value of financial instruments. It has fundamentally incorporated every prescription of IFRS 13 to enhance the international comparability of financial statements by adopting globally accepted standards of the measurement, but for domestically agreed practice it has also set exceptions for certain items without impairing the comparability.

(2) Scheduled date of adoption

The Company and its domestic subsidiaries plan to adopt the accounting standard and implementation guidance effective from the beginning of the fiscal year ending January 31, 2023.

(3) Impact of the adoption of accounting standard and implementation guidance

The impact from the adoption of the accounting standard and implementation guidance on the consolidated financial statements has not yet been determined.

Accounting Standard for Disclosure of Accounting Estimates

- On March 31, 2020, the ASBJ issued “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31)

(1) Overview

With regard to the disclosure of “sources of estimation uncertainty” required to be disclosed under paragraph 125 of International Accounting Standard (IAS) 1 “Presentation of Financial Statements” (hereinafter “IAS 1”) issued in 2003 by the International Accounting Standards Board (IASB) there were requests to consider disclosing under Japanese standards because they are highly useful to users of financial statements, the ASBJ developed and issued Accounting Standard for Disclosure of Accounting Estimates.

The basic approach taken by the ASBJ in the development of the Standard was, rather than to expand individual notes, to state the general principle (disclosure objective) and entities determine the specific content of the disclosure with reference to this disclosure objective. In the development, the ASBJ also made it its policy to make reference to the provisions of paragraph 125 of IAS 1.

(2) Scheduled date of adoption

The Company and its domestic subsidiaries plan to adopt the accounting standard effective from the end of the fiscal year ending January 31, 2022.

Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

- On March 31, 2020, the ASBJ issued “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24)

(1) Overview

In considering of the improvement of information given in the note of “accounting principles and procedures in cases where directly relevant accounting standards are not available,” the ASBJ implemented necessary amendments and issued as the “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.”

Notes to Consolidated Financial Statements

In the improvement of information given in the note of “accounting principles and procedures in cases where directly relevant accounting standards are not available,” the prescriptions of 1-2 of Annotations on the Corporate Accounting Principles are to be maintained so that the previous practices where the prescriptions of relevant Accounting Standards and Implementation Guidance were specified would continue to be effective.

(2) Scheduled date of adoption

The Company and its domestic subsidiaries plan to adopt the accounting standard effective from the end of the fiscal year ending January 31, 2022.

3. Investments in Securities

There were no held-to-maturity debt securities at January 31, 2021 and 2020.

Information on other securities with determinable market value at January 31, 2021 and 2020 was as follows:

	Millions of yen							
	Other securities							
	2021				2020			
Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying value [estimated fair value]	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying value [estimated fair value]	
Market value determinable:								
Equity securities	¥41,647	¥63,111	¥(1,364)	¥103,394	¥44,083	¥61,579	¥(514)	¥105,148

	Thousands of U.S. dollars			
	Other securities			
	2021			
Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying value [estimated fair value]	
Market value determinable:				
Equity securities	\$398,612	\$604,049	\$(13,055)	\$989,606

Sales of other securities for the years ended January 31, 2021 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Proceeds from sales	¥6,929	¥3,369	\$66,319
Gross realized gain	3,594	718	34,399
Gross realized loss	(16)	(434)	(153)

The Group has recognized loss on revaluation of investments in securities classified as other securities of ¥490 million (\$4,690 thousand) for the year ended January 31, 2021.

There was no loss on revaluation of investments in securities classified as other securities for the year ended January 31, 2020.

4. Inventories

Inventories at January 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Land held for sale	¥495,950	¥ 541,524	\$4,746,842
Land held for development	86,290	94,827	825,900
Construction for sale, including projects under construction	341,721	342,594	3,270,683
Contracts in process	16,451	17,934	157,456
Other	7,333	8,323	70,186
	¥947,747	¥1,005,203	\$9,071,085

Loss on devaluation of inventories included in cost of sales for the years ended January 31, 2021 and 2020 amounted to ¥9,423 million (\$9,190 thousand) and ¥10,295 million, respectively.

Due to changes in holding purpose, ¥481 million (\$4,604 thousand) and ¥1,090 million of inventories, which were included in “Construction for sale, including projects under construction” and “Land held for sale,” were principally reclassified to “Buildings and structures” and “Land” at January 31, 2021 and 2020, respectively. In addition, ¥41,468 million (\$396,899 thousand) and ¥75,622 million of investment real estate and others, which were mainly included in “Buildings and structures” and “Land”, were reclassified to “Construction for sale, including projects under construction” and “Land held for sale,” classified as inventories in the accompanying consolidated balance sheets at January 31, 2021 and 2020, respectively.

5. Impairment of Fixed Assets

The Company and its subsidiaries group their investment real estate by individual asset and group other fixed assets by business unit, within which operational profit and losses can be reasonably managed.

For the years ended January 31, 2021 and 2020, the Group has written down certain real estate for lease and certain assets to their respective net recoverable values.

Consequently, the Group recorded losses on impairment of fixed assets of ¥356 million (\$3,407 thousand) and ¥13,552 million in the accompanying consolidated statements of income for the years ended January 31, 2021 and 2020, respectively.

Notes to Consolidated Financial Statements

The losses on impairment of fixed assets for the years ended January 31, 2021 and 2020 are outlined as follows:

2021				
Location	Use	Classification	Millions of yen	Thousands of U.S. dollars
Kanagawa-ku, Yokohama City etc.	Real estate for lease etc.	Buildings and structures	¥ 163	\$1,560
		Machinery, equipment and other	20	191
		Land	172	1,646
			¥ 356	\$3,407
2020				
Location	Use	Classification	Millions of yen	
Shenyang City, China etc	Real estate for lease etc.	Buildings and structures	¥ 9,841	
		Machinery, equipment and other	47	
		Land	2,212	
		Other	1,451	
			¥13,552	

The recoverable value of the above impaired fixed assets was mainly measured at estimated value in use or net selling value. The net selling value amount is measured considering appraisals conducted by real estate appraisers.

6. Investment and Rental Properties

The Company and certain subsidiaries have apartment houses, office buildings and others as rental properties mainly in Tokyo Prefecture and other areas.

For the years ended January 31, 2021 and 2020, rental profit and loss on impairment of these rental properties amounted to ¥5,012 million (\$47,971 thousand) and ¥6,417 million and ¥320 million (\$3,063 thousand) and ¥12,811 million, respectively.

Rental income is included in net sales and related costs are included in the cost of sales.

The carrying value in the accompanying consolidated balance sheets as of January 31, 2021 and 2020 and corresponding fair value of those properties are as follows:

Millions of yen			
	Carrying value		Fair value
January 31, 2020	Net change	January 31, 2021	January 31, 2021
¥ 406,069	¥ 27,337	¥ 433,407	¥ 535,435
Millions of yen			
	Carrying value		Fair value
January 31, 2019	Net change	January 31, 2020	January 31, 2020
¥ 443,736	¥(37,666)	¥ 406,069	¥ 518,348

Thousands of U.S. dollars			
	Carrying value		Fair value
January 31, 2020	Net change	January 31, 2021	January 31, 2021
\$3,886,572	\$261,648	\$4,148,229	\$5,124,761

Notes:

- The carrying value represents the acquisition cost less accumulated depreciation and impairment losses.
- For the years ended January 31, 2021 and 2020, the main components of net change in carrying value are the increase of ¥76,302 million (\$730,302 thousand) and ¥58,058 million in acquisitions of real estate and the decreases of ¥40,767 million (\$390,190 thousand) and ¥75,157 million in transfer to inventories, ¥7,929 million (\$75,890 thousand) and ¥8,568 million in depreciation, respectively.
- The fair value of main real estate is computed based on appraisal amounts valued by real estate appraisers. The fair value of the others is computed by the Group in accordance with "Real Estate Appraisal Standards."

7. Short-Term Loans, Short-Term Bonds and Long-Term Debt

Short-term loans consist of unsecured bank loans. The average interest rates on the short-term loans outstanding at January 31, 2021 and 2020 were 1.27% and 2.86%, respectively.

Long-term debt at January 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unsecured loans from banks and insurance companies at interest rates ranging from 0.09% to 7.45%, due from 2021 to 2029	¥152,360	¥163,025	\$1,458,270
Nonrecourse bank loans at interest rates ranging from 0.91% to 1.27%, due from 2021 to 2023	36,825	34,596	352,460
Unsecured bonds denominated in yen at an interest rate of 0.22%, due 2020	—	15,000	—
Unsecured bonds denominated in yen at an interest rate of 0.04%, due 2021	30,000	30,000	287,136
Unsecured bonds denominated in yen at an interest rate of 0.11%, due 2023	30,000	30,000	287,136
Unsecured bonds denominated in yen at an interest rate of 0.20%, due 2026	20,000	20,000	191,424
Deferrable and early redeemable subordinated unsecured bonds denominated in yen at an interest rate of 0.81%, due 2077	120,000	120,000	1,148,545
Lease obligations	7,760	7,783	74,273
	396,947	420,404	3,799,263
Less current portion	(87,385)	(34,526)	(836,380)
	¥309,562	¥385,877	\$2,962,883

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The aggregate annual maturities of long-term debt subsequent to January 31, 2021 are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2022	¥ 87,385	\$ 836,380
2023	65,470	626,627
2024	88,483	846,889
2025	8,276	79,211
2026 and thereafter	147,331	1,410,136
	¥396,947	\$3,799,263

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at January 31, 2021 and 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Lines of credit	¥429,292	¥440,837	\$4,108,844
Credit utilized	165,319	165,740	1,582,303
Available credit	¥263,973	¥275,096	\$2,526,541

8. Mortgaged and Pledged Assets

At January 31, 2021 and 2020, the following assets were either mortgaged or pledged for guarantees of a third party bank loan, guarantee deposits received and long-term bank loan, including current portion and totaled ¥54,210 million (\$518,855 thousand) and ¥47,942 million, respectively.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Inventories	¥81,084	¥80,279	\$776,072
Land	5,186	6,077	49,636
Buildings and structures	1,546	2,080	14,797
Investments in securities	1,363	1,562	13,046
Long-term loans	2	3	19
Short-term loans	0	0	0
	¥89,184	¥90,003	\$853,599

Short-term loans, Long-term loans, and Investments in securities are mortgaged for guarantees of liabilities of investees.

As of January 31, 2021 and 2020, ¥71,825 million (\$687,452 thousand) and ¥80,233 million of inventories were pledged as collateral for nonrecourse liabilities of short-term and long-term debt, including current portion and totaled ¥36,825 million (\$352,460 thousand) and ¥34,596 million, respectively. These nonrecourse liabilities and corresponding assets are included in the above table.

In addition, for the purpose of covering warranty obligations for latent defects on certain housing, ¥285 million (\$2,728 thousand) and ¥294 million of short-term investments, and ¥8,594 million (\$82,255 thousand) and ¥8,401 million of other assets were deposited in accordance with relevant laws at January 31, 2021 and 2020, respectively.

9. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in statutory tax rates of approximately 30.5% for the years ended January 31, 2021 and 2020. Overseas subsidiaries are subject to the income taxes of the countries in which they operate.

The reconciliation of the differences between the statutory tax rates and the effective tax rates for the year ended January 31, 2021 and 2020 were omitted because such differences are less than 5% of the statutory tax rate.

The significant components of the Group's deferred tax assets (liabilities) at January 31, 2021 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Liability for retirement benefits	¥ 13,481	¥ 13,739	\$ 129,029
Loss on revaluation of real estate held for sale	12,796	13,223	122,473
Tax loss carryforwards (b)	9,430	7,377	90,257
Accumulated losses on impairment of fixed assets	8,437	9,533	80,752
Accrued employees' bonuses	8,113	8,705	77,651
Unrealized gain on fixed assets	5,611	5,007	53,704
Loss on revaluation of securities	1,439	1,435	13,773
Others	17,165	20,327	164,290
Gross deferred tax assets	76,474	79,350	731,949
Valuation allowance for tax loss carryforwards (b)	(7,936)	(7,037)	(75,957)
Valuation allowance for total deductible temporary differences	(13,286)	(14,804)	(127,163)
Total valuation allowance (a)	(21,223)	(21,842)	(203,130)
Total deferred tax assets	55,251	57,508	528,819
Deferred tax liabilities:			
Net unrealized holding gain on securities	(17,912)	(17,593)	(171,440)
Others	(13,106)	(11,086)	(125,440)
Total deferred tax liabilities	(31,018)	(28,679)	(296,880)
Net deferred tax assets	¥ 24,232	¥ 28,828	\$ 231,930

(a) The valuation allowance mainly consists of deferred tax assets arising from non-schedulable temporary differences on loss on revaluation of securities and accumulated losses on impairment of fixed assets.

(b) A breakdown of tax loss carryforwards and deferred tax assets by expiry dates at January 31, 2021 and 2020 is as follows:

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Millions of yen							
2021							
Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total	
Tax loss carryforwards (*)	¥ 2,193	¥ 1,999	¥ 1,428	¥ 832	¥ 1,145	¥ 1,831	¥ 9,430
Valuation allowance	(1,537)	(1,698)	(1,135)	(601)	(1,145)	(1,819)	(7,936)
Deferred tax assets	655	301	293	231	—	12	1,493

Millions of yen							
2020							
Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total	
Tax loss carryforwards (*)	¥ 577	¥ 1,188	¥ 1,177	¥ 1,131	¥ 1,252	¥ 2,050	¥ 7,377
Valuation allowance	(542)	(1,188)	(1,177)	(1,131)	(1,252)	(1,745)	(7,037)
Deferred tax assets	34	—	—	—	—	305	339

Thousands of U.S. dollars							
2021							
Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total	
Tax loss carryforwards (*)	\$ 20,990	\$ 19,133	\$ 13,668	\$ 7,963	\$ 10,959	\$ 17,525	\$ 90,257
Valuation allowance	(14,711)	(16,252)	(10,863)	(5,752)	(10,959)	(17,410)	(75,957)
Deferred tax assets	6,269	2,881	2,804	2,211	—	115	14,290

(*) The amount of tax loss carryforwards is calculated by multiplying the statutory income tax rate.

10. Retirement Benefit Plans

The Company and its subsidiaries have defined benefit plans, which consist of corporate pension funds and lump-sum payment retirement plan and defined contribution pension plans.

Certain domestic subsidiaries have calculated their retirement benefit obligation and retirement benefit expenses based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily (the "Simplified Method").

In certain cases, special retirement benefits may be paid to employees.

Defined benefit plans

The changes in the retirement benefit obligations, including those for which the Simplified Method is applied, during the years ended January 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligations at the beginning of the year	¥326,372	¥304,623	\$3,123,775
Service cost	13,339	12,222	127,670
Interest cost	2,599	2,453	24,876
Actuarial (gain) loss	(283)	4,513	(2,709)
Retirement benefit paid	(10,406)	(8,661)	(99,598)
Amount of increase resulting from change in scope of consolidation	—	11,221	—
Retirement benefit obligations at the end of the year	¥331,621	¥326,372	\$3,174,014

The changes in plan assets, including those for which the Simplified Method is applied, during the years ended January 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Plan assets at the beginning of the year	¥278,460	¥255,017	\$2,665,199
Expected return on plan assets	6,764	6,349	64,740
Actuarial gain	4,438	8,993	42,477
Contributions paid by the Company	8,958	8,181	85,739
Retirement benefits paid	(8,632)	(7,342)	(82,619)
Amount of increase resulting from change in scope of consolidation	—	7,261	—
Plan assets at the end of the year	¥289,991	¥278,460	\$2,775,565

The following table sets forth the funded status of the plan assets and the amounts recognized in the consolidated balance sheets as of January 31, 2021 and 2020 for the Company's and domestic subsidiaries' defined benefit plans, including those for which the Simplified Method is applied:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded retirement benefit obligation	¥ 301,699	¥ 297,970	\$ 2,887,624
Plan assets at fair value	(289,991)	(278,460)	(2,775,565)
	11,707	19,509	112,050
Unfunded retirement benefit obligation	29,922	28,402	286,390
Net liability for retirement benefits in the balance sheets	¥ 41,629	¥ 47,911	\$ 398,440
Liability for retirement benefits	¥ 43,011	¥ 49,414	\$ 411,667
Asset for retirement benefits	(1,381)	(1,502)	(13,218)
Net liability for retirement benefits in the balance sheet	¥ 41,629	¥ 47,911	\$ 398,440

Notes to Consolidated Financial Statements

The components of retirement benefit expenses for the years ended January 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥13,339	¥12,222	\$127,670
Interest cost	2,599	2,453	24,876
Expected return on plan assets	(6,764)	(6,349)	(64,740)
Amortization of actuarial loss	7,806	4,923	74,713
Amortization of prior service cost	26	(4,760)	249
Other	532	666	5,092
Retirement benefit expenses	¥17,539	¥ 9,155	\$167,869

(Note)

Retirement benefit expenses of certain subsidiaries adopting the Simplified Method are included in "service cost."

"Other" mainly consists of special retirement benefits paid to employees.

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended January 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Prior service cost	¥ 26	¥(4,760)	\$ 249
Actuarial loss	12,529	9,397	119,918
Total	¥12,556	¥ 4,637	\$120,176

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of January 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized prior service cost	¥ 83	¥ 56	\$ 794
Unrecognized actuarial loss	(15,315)	(27,844)	(146,583)
Total	¥(15,231)	¥(27,787)	\$(145,779)

The fair values of plan assets, by major category, as a percentage of total plan assets as of January 31, 2021 and 2020 are as follows:

	2021	2020
Debt securities	36%	41%
Equity securities	21	22
General accounts at insurance companies	15	14
Credit	12	10
Private equity	5	3
Cash and deposits	1	3
Other	10	7
Total	100%	100%

The expected rate of return on plan assets has been estimated considering the anticipated allocation to each asset class and the expected long-term rates of returns on various components of pension assets in each category.

The assumptions used in accounting for the above retirement benefit plans for the years ended January 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate	Mainly 0.8%	Mainly 0.8%
Expected long-term rate of return on plan assets	Mainly 2.5%	Mainly 2.5%
Expected rate of salary increase	Mainly 4.5%	Mainly 4.5%

The expected rate of salary increase is calculated based on a pay point system.

Defined contribution pension plans

Total contributions paid by the subsidiaries to the defined contribution plan for the years ended January 31, 2021 and 2020 were ¥156 million (\$1,493 thousand) and ¥147 million, respectively.

11. Asset Retirement Obligations

In accordance with exhibition contracts at housing exhibition sites, tenancy contracts for offices and real estate for investment, the Company and certain subsidiaries are obligated to remove leasehold improvements attached to these housing exhibitions, offices and real estate and return the property to its original state after vacating the premises.

The asset retirement obligations included in other liabilities are determined and discounted to their present value using a risk-free rate at the beginning of the year and the anticipated future useful lives for each housing exhibition, office or real estate.

Notes to Consolidated Financial Statements

The changes in asset retirement obligations for the years ended January 31, 2021 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at the beginning of the year	¥3,698	¥2,747	\$35,394
Liabilities incurred for assets acquired	222	1,158	2,125
Accretion expense	19	19	182
Liabilities settled	(189)	(226)	(1,809)
Others	(72)	—	(689)
Balance at the end of the year	¥3,679	¥3,698	\$35,212

12 Contingent Liabilities

The Group had the following contingent liabilities at January 31, 2021:

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to 3,414 customers	¥105,202	\$1,006,910
Guarantees of bank loan of affiliated companies	28,698	274,675
Guarantees of bank loan of a third party	86	823
Guarantees of repayment of sales contract deposit of a third party	474	4,537

13. Shareholders' Equity

The Companies Act of Japan (the "Act") requires the Company to transfer an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at January 31, 2021 and 2020 amounted to ¥23,128 million (\$221,363 thousand).

Under the Act, upon the issuance and sales of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as capital surplus.

Stock option plan

Stock option expenses per accounts for the years ended January 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cost of sales	¥—	¥ 0	\$—
Selling, general and administrative expenses	—	18	—

Description of each stock option plan as of January 31, 2021 is as follows:

Stock option plans	Plan approved on April 27, 2006 (the 2006 plan)	Plan approved on May 17, 2007 (the 2007 plan)	Plan approved on May 15, 2008 (the 2008 plan)
Individuals covered by the plan	Total 27 Directors and Executive Officers	Total 26 Directors and Executive Officers	Total 32 Directors and Executive Officers
Type and number of shares to be issued upon the exercise of the share subscription rights	48,000 shares of common stock	55,000 shares of common stock	108,000 shares of common stock
Grant date	April 27, 2006	June 7, 2007	June 6, 2008
Vesting period	No applicable period of service is specified	No applicable period of service is specified	No applicable period of service is specified
Exercise period	From April 28, 2006 to April 27, 2026	From June 8, 2007 to June 7, 2027	From June 7, 2008 to June 6, 2028

	Plan approved on May 21, 2009 (the 2009 plan)	Plan approved on May 20, 2010 (the 2010 plan)	Plan approved on May 19, 2011 (the 2011 plan)
Individuals covered by the plan	Total 30 Directors and Executive Officers	Total 30 Directors and Executive Officers	Total 28 Directors and Executive Officers
Type and number of shares to be issued upon the exercise of the share subscription rights	106,000 shares of common stock	105,000 shares of common stock	130,000 shares of common stock
Grant date	June 9, 2009	June 16, 2010	June 14, 2011
Vesting period	No applicable period of service is specified	No applicable period of service is specified	No applicable period of service is specified
Exercise period	From June 10, 2009 to June 9, 2029	From June 17, 2010 to June 16, 2030	From June 15, 2011 to June 14, 2031

	Plan approved on May 17, 2012 (the 2012 plan)	Plan approved on May 16, 2013 (the 2013 plan)	Plan approved on May 15, 2014 (the 2014 plan)
Individuals covered by the plan	Total 33 Directors and Executive Officers	Total 32 Directors and Executive Officers	Total 34 Directors and Executive Officers
Type and number of shares to be issued upon the exercise of the share subscription rights	147,000 shares of common stock	68,000 shares of common stock	100,000 shares of common stock
Grant date	June 13, 2012	June 13, 2013	June 13, 2014
Vesting period	No applicable period of service is specified	No applicable period of service is specified	No applicable period of service is specified
Exercise period	From June 14, 2012 to June 13, 2032	From June 14, 2013 to June 13, 2033	From June 14, 2014 to June 13, 2034

Notes to Consolidated Financial Statements

	Plan approved on May 21, 2015 (the 2015 plan)	Plan approved on May 19, 2016 (the 2016 plan)	Plan approved on May 18, 2017 (the 2017 plan)
Individuals covered by the plan	Total 34 Directors and Executive Officers	Total 35 Directors and Executive Officers	Total 35 Directors and Executive Officers
Type and number of shares to be issued upon the exercise of the share subscription rights	63,000 shares of common stock	66,000 shares of common stock	64,000 shares of common stock
Grant date	June 12, 2015	June 14, 2016	June 14, 2017
Vesting period	No applicable period of service is specified	No applicable period of service is specified	No applicable period of service is specified
Exercise period	From June 13, 2015 to June 12, 2035	From June 15, 2016 to June 14, 2036	From June 15, 2017 to June 14, 2037

	Plan approved on May 17, 2018 (the 2018 plan)
Individuals covered by the plan	Total 32 Directors and Executive Officers
Type and number of shares to be issued upon the exercise of the share subscription rights	69,000 shares of common stock
Grant date	June 14, 2018
Vesting period	No applicable period of service is specified
Exercise period	From June 15, 2018 to June 14, 2038

Information regarding the Company's stock option plans is summarized as follows:

	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan
Number of stock options:							
Non-vested							
Outstanding at February 1, 2020	6,000	7,000	21,000	26,000	35,000	45,000	70,000
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	—	—	2,000	4,000	6,000	7,000	15,000
Outstanding at January 31, 2021	6,000	7,000	19,000	22,000	29,000	38,000	55,000
Vested							
Outstanding at February 1, 2020	—	—	1,000	1,000	14,000	19,000	27,000
Vested	—	—	2,000	4,000	6,000	7,000	15,000
Exercised	—	—	3,000	4,000	10,000	11,000	26,000
Forfeited	—	—	—	—	—	—	—
Outstanding at January 31, 2021	—	—	—	1,000	10,000	15,000	16,000
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥ —	¥ —	¥ 1,841	¥ 1,943	¥ 1,755	¥ 1,914	¥ 2,006
Fair value price at grant date	¥ —(*)	¥ 1,571	¥ 876	¥ 681	¥ 717	¥ 592	¥ 495
Exercise price	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Average stock price at exercise	\$ —	\$ —	\$ 18	\$ 19	\$ 17	\$ 18	\$ 19
Fair value price at grant date	\$ —	\$ 15	\$ 8	\$ 7	\$ 7	\$ 6	\$ 5

(*) The fair value of stock options is omitted since they had been issued before the date of enactment of the Act.

	The 2013 plan	The 2014 plan	The 2015 plan	The 2016 plan	The 2017 plan	The 2018 plan
Number of stock options:						
Non-vested						
Outstanding at February 1, 2020	33,000	66,000	40,000	47,000	45,000	65,000
Granted	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Vested	7,000	11,000	6,000	9,000	6,000	6,000
Outstanding at January 31, 2021	26,000	55,000	34,000	38,000	39,000	59,000
Vested						
Outstanding at February 1, 2020	11,000	16,000	13,000	8,000	8,000	—
Vested	7,000	11,000	6,000	9,000	6,000	6,000
Exercised	12,000	14,000	11,000	8,000	7,000	4,000
Forfeited	—	—	—	—	—	—
Outstanding at January 31, 2021	6,000	13,000	8,000	9,000	7,000	2,000
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥ 1,968	¥ 1,783	¥ 1,896	¥ 1,944	¥ 1,968	¥ 1,774
Fair value price at grant date	¥ 1,071	¥ 974	¥ 1,507	¥ 1,356	¥ 1,415	¥ 1,283
Exercise price	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Average stock price at exercise	\$ 19	\$ 17	\$ 18	\$ 19	\$ 19	\$ 17
Fair value price at grant date	\$ 10	\$ 9	\$ 14	\$ 13	\$ 14	\$ 12

Treasury stock

Movements in treasury stock during the years ended January 31, 2021 and 2020 are summarized as follows:

	Number of shares			
	January 31, 2020	2021		January 31, 2021
		Increase	Decrease	
Treasury stock	7,222,070	2,787,881	6,256,229	3,753,722

The increase in treasury stock consists of 2,782,400 shares resulting from the purchasing based on the article of incorporation of the Company under Article 165 (2) of the Act, 5,403 shares resulting from the purchase of shares less than one unit by the Company, and 78 shares of treasury stock attributable to the Company resulting from the purchase by an affiliate for the year ended January 31, 2021.

The decrease in treasury stock consists of 301 shares resulting from sale of shares less than one unit by the Company, 110,000 shares resulting from the exercise of stock option plans, 134,400 shares resulting from the procedure of payments in kind regarding the disposal of treasury shares as restricted stock remuneration, 6,000,000 shares resulting from the retirement based on the article of incorporation of the Company under Article 178 of the Act, and 11,528 shares of treasury stock attributable to the Company resulting from the sale by an affiliate for the year ended January 31, 2021.

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	Number of shares			
	January 31, 2019	2020		January 31, 2020
		Increase	Decrease	
Treasury stock	2,531,961	5,010,699	320,590	7,222,070

The increase in treasury stock consists of 5,000,000 shares resulting from the purchasing based on the article of incorporation of the Company under Article 165 (2) of the Act, 8,222 shares resulting from the purchase of shares less than one unit by the Company, 2,400 shares resulting from gratis acquisition of the restricted shares due to retirement of directors and executive officers, and 77 shares of treasury stock attributable to the Company resulting from the purchase by an affiliate for the year ended January 31, 2020.

The decrease in treasury stock consists of 90 shares resulting from sale of shares less than one unit by the Company, 255,000 shares resulting from the exercise of stock option plans and 65,500 shares resulting from the procedure of payments in kind regarding the disposal of treasury shares as restricted stock remuneration for the year ended January 31, 2020.

14. Research and Development Cost

Research and development cost included in selling, general and administrative expenses amounted to ¥9,665 million (\$92,506 thousand) and ¥7,313 million for the years ended January 31, 2021 and 2020, respectively.

15. Leases

(Lessee)

The Company has leased assets under finance lease transactions which do not transfer ownership to the lessee, mainly consisting of business-use servers, vehicles and software.

Regarding the depreciation method of leased assets under finance lease transactions which do not transfer ownership to the lessee, please refer to Note 2 (i).

Future minimum lease payments subsequent to January 31, 2021 under non-cancellable operating leases are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2022	¥ 7,983	\$ 76,407
2023 and thereafter	53,206	509,246
	¥61,189	\$585,653

(Lessor)

Lease receivables from finance lease transactions in which the ownership of the leased assets is not transferred to the lessee as of January 31, 2021 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Current assets:			
Gross lease receivables	¥11,764	¥11,490	\$112,596
Less unearned interest income	(3,744)	(3,975)	(35,835)
Net lease receivables	¥ 8,019	¥ 7,515	\$ 76,752

Contractual maturities of lease receivables from finance lease transactions subsequent to January 31, 2021 in which the ownership of the leased assets is transferred to the lessee are as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2022	¥ 234	\$ 2,240
2023	221	2,115
2024	220	2,106
2025	221	2,115
2026	221	2,115
2027 and thereafter	4,363	41,759
	¥5,481	\$52,460

Contractual maturities of the above gross lease receivables subsequent to January 31, 2021 in which the ownership of the leased assets is not transferred to the lessee are as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2022	¥ 472	\$ 4,518
2023	472	4,518
2024	472	4,518
2025	472	4,518
2026	472	4,518
2027 and thereafter	9,404	90,008
	¥11,764	\$112,596

Future minimum lease receipts subsequent to January 31, 2021 under non-cancellable operating leases are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2022	¥ 4,408	\$ 42,190
2023 and thereafter	33,426	319,927
	¥37,834	\$362,117

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Lease receivables and lease obligations in which the ownership of the leased assets is not transferred to the lessee as of January 31, 2021 and 2020 under sub-lease transactions are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Lease receivables:			
Current	¥4,567	¥4,011	\$43,712
Lease obligations:			
Current	227	187	2,173
Non-current	4,573	3,993	43,769

16. Amounts per Share

Per share amounts as of and for the years ended January 31, 2021 and 2020 are as follows:

	Yen		U.S. dollars
	2021	2020	2021
Profit attributable to owners of parent:			
Basic	¥ 181.18	¥ 205.79	\$ 1.73
Diluted	181.02	205.57	1.73
Net assets	1,948.12	1,852.62	18.65
Cash dividends	84.00	81.00	0.80

Basic profit per share has been computed based on the profit attributable to common stock holders and the weighted-average number of shares of common stock outstanding during the year.

Diluted profit per share is computed based on the profit available for distribution to shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options.

Amounts per share of net assets have been computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share of the Company represent the cash dividends declared as applicable to the respective years together with the interim cash dividends paid.

Financial data for the computation of basic and diluted profit per share for the years ended January 31, 2021 and 2020 in the table above is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Information on basic profit per share:			
Profit	¥123,542	¥141,256	\$1,182,446
Profit not attributable to common stockholders	—	—	—
Adjusted profit attributable to common stockholders	¥123,542	¥141,256	\$1,182,446

	Thousands of shares		
	2021	2020	
Weighted-average number of shares of common stock outstanding during the year	681,885	686,401	
	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Information on diluted profit per share in the table above is summarized as follows:			
Adjustments to profit attributable to common stockholders	¥ —	¥ —	\$ —
	Thousands of shares		
	2021	2020	
Increase in common stock:			
Stock subscription rights	558	741	
Performance-related stock remuneration	42	—	

Financial data for the computation of net assets per share at January 31, 2021 and 2020 in the table above is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total net assets	¥1,368,887	¥1,306,850	\$13,101,905
Deductions from total net assets:			
Stock subscription rights	(508)	(609)	(4,862)
Non-controlling interests	(41,842)	(40,044)	(400,479)
Total net assets attributable to common stockholders	¥1,326,535	¥1,266,195	\$12,696,545

	Thousands of shares	
	2021	2020
Number of shares of common stock used in the calculation of net assets per share	680,929	683,461

17. Financial Instruments and Related Disclosures

The Group manages cash surpluses mainly through low-risk financial assets. The Group raises funds mainly through bank loans and direct finance such as issuance of bonds. The Group enters into derivative transactions for the purpose of reducing risks and does not enter into derivative transactions for speculative or trading purposes.

Notes and accounts receivable - trade are exposed to credit risk in relation to customers. Short-term investments and investments in securities, which primarily consist of equity securities and investments in special purpose entities or partnerships, are exposed to credit risk in relation to issuers and fluctuation risk of market price. Substantially all notes and accounts payable, trade have payment due dates within

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one year. Bank loans and bonds are utilized principally for working capital and capital investments. Bank loans are utilized with variable interest rates and are exposed to interest rate fluctuation risk.

Regarding derivative transactions, the Group enters into forward foreign exchange contracts and currency swap contracts to reduce the foreign currency exchange risk arising from trade receivables, payables, investments and loan receivables denominated in foreign currencies. The Group also enters into interest rate swap contracts to reduce the interest rate fluctuation risk. Further information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities can be found in Note 2 (u).

For managing credit risk arising from receivables, each related accounting and management division of the Group monitors the collection, due dates and outstanding balances by customer. In addition, the Group makes efforts to identify at earliest and mitigate risks of bad debts from customers experiencing financial difficulties.

The Group executes and manages derivative transactions in accordance with internal rules. The Group enters into derivative transactions dispersedly with financial institutions with high credit ratings to mitigate the credit risks.

For short-term investments and investments in securities, the Group periodically reviews the fair values of such financial instruments and the financial conditions of the issuers.

Based on reports from each division of the Group, the Company prepares and updates their cash flow plans on a timely basis and maintains appropriate liquidity levels to manage liquidity risk. The Company also has multiple methods of stable financing, such as entering into commitment line contracts or providing the overdraft. In addition, the Group has funding systems, such as the cash management system, to supply funds to the subsidiaries flexibly.

The fair value of financial instruments is determined based on their quoted market price, if available. When there is no available quoted market price, fair value is reasonably estimated. Since a number of variable factors are reflected in estimating the fair value, different factors could result in different fair values. In addition, the notional amounts of derivative transactions in the following table are not necessarily indicative of the actual market risk involved in the derivative transactions.

The carrying values of financial instruments on the accompanying consolidated balance sheets as of January 31, 2021 and 2020 and their estimated fair values are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen			Thousands of U.S. dollars		
	2021			2021		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Cash and cash equivalents	¥600,234	¥600,234	¥ —	\$5,744,966	\$5,744,966	\$ —
Notes and accounts receivable - trade	144,253			1,380,676		
Less allowance for doubtful accounts	(308)			(2,948)		
Sub total	143,945	143,945	—	1,377,728	1,377,728	—
Short-term investments and investments in securities and affiliates:						
Investments in affiliates	2,539	1,401	(1,138)	24,301	13,409	(10,892)
Other securities	103,444	103,444	—	990,084	990,084	—
Total	850,163	849,025	(1,138)	8,137,088	8,126,196	(10,892)
Notes and accounts payable	202,752	202,752	—	1,940,582	1,940,582	—
Short-term loans	166,019	166,019	—	1,589,003	1,589,003	—
Bonds	200,000	200,553	553	1,914,242	1,919,535	5,293
Long-term loans including current portion	189,186	190,860	1,674	1,810,739	1,826,761	16,022
Total	¥757,958	¥760,186	¥ 2,227	\$7,254,575	\$7,275,900	\$ 21,315
Derivative transactions (*)	¥ 0	¥ 0	¥ —	\$ 0	\$ 0	\$ —

	Millions of yen		
	2020		
	Carrying value	Estimated fair value	Difference
Cash and cash equivalents	¥583,297	¥583,297	¥ —
Notes and accounts receivable - trade	133,978		
Less allowance for doubtful accounts	(462)		
Sub total	133,515	133,515	—
Short-term investments and investments in securities and affiliates:			
Investments in affiliates	2,869	1,800	(1,069)
Other securities	106,486	106,486	—
Total	826,169	825,100	(1,069)
Notes and accounts payable	219,549	219,549	—
Short-term loans	166,486	166,486	—
Bonds	215,000	216,327	1,327
Long-term loans including current portion	197,621	198,538	917
Total	¥798,657	¥800,902	¥ 2,245
Derivative transactions	¥ 8	¥ 8	¥ —

(*) The value of assets and liabilities arising from derivatives is shown at net value, and the amounts in parentheses represent net liability position.

The fair values of cash and cash equivalents and notes and accounts receivable – trade approximate their carrying values since these items are settled in a short period of time.

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The fair values of short-term investments and investments in securities are determined based on quoted market prices. The fair value of debt securities is based on either quoted market price or the price provided by the counterparty financial institutions.

For further information of fair values of short-term investments and investments in securities by holding purposes, please refer to Note 3 “Investments in Securities.”

The fair values of notes and accounts payable and short-term loans approximate their carrying value since these items are settled in a short period of time.

The fair values of bonds are determined based on market prices.

The fair value of long-term loans including the current portion with variable interest rates approximates the carrying value. The fair value of long-term loans including the current portion with fixed interest rates is determined based on the discounted present value of the principal and interest payments using the corresponding fixed interest rate for new loans with the same terms and conditions.

Regarding derivative transactions, refer to Note 18 “Derivative Transactions and Hedging Activities.”

Financial instruments for which it is extremely difficult to determine the fair value as of January 31, 2021 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unlisted stocks	¥57,570	¥38,395	\$551,015
Investments in special purpose entities	14,316	8,651	137,021
Preferred stocks	999	999	9,562
Investments in investment limited liability partnerships	969	744	9,275
Investments in silent partnership	659	784	6,307
Unlisted bonds	120	120	1,149

Because no quoted market price is available and it is assumed that significant costs are involved in estimating the future cash flows, it is extremely difficult to determine the fair value.

The redemption schedules for cash and cash equivalents, notes and accounts receivable and short-term investments and investments in securities with maturities at January 31, 2021 are as follows:

	2021			
	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥600,234	¥ —	¥ —	¥ —
Notes and accounts receivable	136,514	5,634	329	1,774
Held-to-maturity debt securities (Corporate bonds)	—	—	—	120
Other securities with maturities (Time deposit with a maturity in excess of three months)	50	—	—	—
Total	¥736,798	¥5,634	¥329	¥1,894

	2021			
	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	\$5,744,966	\$ —	\$ —	\$ —
Notes and accounts receivable	1,306,604	53,924	3,149	16,979
Held-to-maturity debt securities (corporate bonds)	—	—	—	1,149
Other securities with maturities (Time deposit with a maturity in excess of three months)	479	—	—	—
Total	\$7,052,048	\$53,924	\$3,149	\$18,128

The redemption schedules for long-term debt are disclosed in Note 7 “Short-Term Loans, Short-Term Bonds and Long-Term Debt.”

18. Derivative Transactions and Hedging Activities

The contract value (notional principal amount) and the estimated fair value of the derivative instruments outstanding which did not qualify for deferral hedge accounting at January 31, 2021 and 2020 were as follows:

Currency-related transactions

Classification	Description of transaction	2021			
		Millions of yen			
		Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized gain (loss)
Over-the-counter transactions	Forward foreign currency exchange contracts				
	Buy (Euro)	¥ 27	¥—	¥ 0	¥ 0
	Total	¥ 27	¥—	¥ 0	¥ 0

Classification	Description of transaction	2020			
		Millions of yen			
		Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized gain (loss)
Over-the-counter transactions	Forward foreign currency exchange contracts				
	Buy (U.S. dollar)	¥ 958	¥—	¥12	¥12
	Buy (Euro)	228	27	(3)	(3)
	Total	¥1,186	¥27	¥ 8	¥8

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Classification	Description of transaction	2021			
		Thousands of U.S. dollars			
		Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized gain (loss)
Over-the-counter transactions	Forward foreign currency exchange contracts				
	Buy (Euro)	\$258	\$—	\$0	\$0
	Total	\$258	\$—	\$0	\$0

The fair value of the above derivative transactions is determined based on the prices provided by counterparty financial institutions.

19. Segment Information

Reportable segments of the Group are components for which separate financial information is available and whose operating results are regularly reviewed by the management to determine the allocation of management resources and assess the business performance. Setting the global vision to “make home the happiest place in the world” and the management direction of deploying growth strategies focused on the residential business domain, the Group plans separate business strategies for each business domain and conducts business to achieve becoming a global company that offers integrated proposals of technologies, lifestyle design and services.

The Group’s business segments are classified by different products and services based on their business domains. The Group’s business segments, excluding the other businesses segment, consist of the following reportable segments: Custom detached houses, Rental housing, Architectural/Civil engineering, Remodeling, Real estate management fees, Houses for sale, Condominiums, Urban redevelopment and Overseas.

Details of the reportable segments are as follows:

Custom detached houses:	Design and contracting of construction of detached houses
Rental housing:	Design and contracting of rental housing and commercial buildings construction
Architectural/ Civil engineering:	Construction of reinforced-concrete (RC) rental housing and commercial buildings, and design and contracting of civil engineering works
Remodeling:	Extension and reconstruction of housing and other buildings
Real estate management fees:	Subleasing, management, operation and brokerage of real estate, etc.
Houses for sale:	Sale of houses and residential land, design and contracting of construction of houses on residential land for sale
Condominiums:	Sales of condominiums
Urban redevelopment:	Development of office buildings and commercial facilities, management and operation of real estate owned by the Group
Overseas:	Contracting of detached houses, sales of ready-build detached houses and residential land, and development and sale of condominiums, commercial facilities, etc. in overseas markets

(Changes in reportable segments)

Effective from the first quarter of the fiscal year ended January 31, 2021, the number of reportable segments changed from eight to nine segments.

Otori Holdings, Co., Ltd., became a consolidated subsidiary in the third quarter of the fiscal year ended January 31, 2020 (Otori Holdings, Co., Ltd. was subsequently dissolved following an absorption type merger with Konoike Construction Co., Ltd. in the third quarter of the fiscal year ended January 31, 2021). The business of Otori Holdings, Co., Ltd. was included in “Other businesses” in the previous fiscal year, but due to increase in the materiality of the amount, it was reclassified into “Architectural/Civil engineering business” together with contracting for the construction of reinforced-concrete (RC) structures which was previously included in the “Rental housing business.”

Segment information for the fiscal year ended January 31, 2020 is prepared based on the classification of the reportable segments after the change.

The accounting policies of the reportable segments are identical to those described in Note 2.

Information on net sales, income or loss, assets and other items by each reportable segment for the years ended January 31, 2021 and 2020 is outlined as follows:

	Millions of yen						
	2021						
	Reportable segments						
	Custom detached houses	Rental housing	Architectural/ Civil engineering	Remodeling	Real estate management fees	Houses for sale	Condominiums
Sales to third parties	¥323,332	¥358,745	¥302,837	¥141,090	¥557,632	¥139,151	¥77,091
Intersegment sales and transfers	¥—	¥3,098	¥6,580	¥477	¥3,209	¥—	¥—
Net sales	¥323,332	¥361,844	¥309,417	¥141,567	¥560,841	¥139,151	¥77,091
Segment income (loss)	¥32,231	¥47,052	¥16,051	¥20,479	¥43,869	¥7,586	¥8,817
Segment assets	¥53,521	¥42,719	¥226,536	¥16,992	¥129,178	¥140,667	¥153,256
Other items:							
Depreciation and amortization	3,506	1,782	1,276	108	789	1,113	13
Increase in property, plant and equipment and intangible assets	3,701	1,525	1,904	78	769	994	374

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Millions of yen							
2021							
Reportable segments							
	Urban redevelopment	Overseas	Sub Total	Other	Total	Adjustments	Consolidated
Sales to third parties	¥104,953	¥370,686	¥2,375,520	¥71,384	¥2,446,904	¥ —	¥2,446,904
Intersegment sales and transfers	140	—	13,506	5,869	19,375	(19,375)	—
Net sales	105,093	370,686	2,389,026	77,254	2,466,280	(19,375)	2,446,904
Segment income (loss)	¥ 16,565	¥ 39,708	¥ 232,362	¥ (2,480)	¥ 229,882	¥ (43,363)	¥ 186,519
Segment assets	¥542,621	¥923,676	¥2,229,171	¥13,121	¥2,242,292	¥383,568	¥2,625,861
Other items:							
Depreciation and amortization	7,759	1,474	17,823	683	18,506	3,219	21,726
Increase in property, plant and equipment and intangible assets	79,314	1,124	89,787	25	89,813	6,796	96,609

Millions of yen							
2020							
Reportable segments							
	Custom detached houses	Rental housing	Architectural/Civil engineering	Remodeling	Real estate management fees	Houses for sale	Condominiums
Sales to third parties	¥390,995	¥360,026	¥120,986	¥152,729	¥534,876	¥151,268	¥103,984
Intersegment sales and transfers	—	3,884	—	306	3,058	—	—
Net sales	390,995	363,911	120,986	153,036	537,935	151,268	103,984
Segment income (loss)	¥ 45,942	¥ 49,710	¥ 3,730	¥ 23,535	¥ 41,054	¥ 12,259	¥ 10,134
Segment assets	¥ 58,049	¥ 39,773	¥218,571	¥ 17,948	¥125,341	¥133,647	¥143,006
Other items:							
Depreciation and amortization	3,727	2,024	421	141	704	980	10
Increase in property, plant and equipment and intangible assets	3,209	593	300	41	1,397	725	23

Millions of yen							
2020							
Reportable segments							
	Urban redevelopment	Overseas	Sub Total	Other	Total	Adjustments	Consolidated
Sales to third parties	¥131,920	¥389,866	¥2,336,655	¥78,531	¥2,415,186	¥ —	¥2,415,186
Intersegment sales and transfers	141	—	7,391	6,534	13,926	(13,926)	—
Net sales	132,061	389,866	2,344,047	85,066	2,429,113	(13,926)	2,415,186
Segment income (loss)	¥ 17,045	¥ 44,551	¥ 247,963	¥ (273)	¥ 247,690	¥ (42,434)	¥ 205,256
Segment assets	¥518,532	¥990,247	¥2,245,117	¥15,320	¥2,260,438	¥374,309	¥2,634,748
Other items:							
Depreciation and amortization	7,645	2,242	17,898	762	18,660	2,858	21,518
Increase in property, plant and equipment and intangible assets	60,155	1,975	68,421	71	68,493	4,761	73,255

Thousands of U.S. dollars							
2021							
Reportable segments							
	Custom detached houses	Rental housing	Architectural/Civil engineering	Remodeling	Real estate management fees	Houses for sale	Condominiums
Sales to third parties	\$3,094,678	\$3,433,624	\$2,898,516	\$1,350,402	\$5,337,213	\$1,331,843	\$ 737,854
Intersegment sales and transfers	—	29,652	62,979	4,565	30,714	—	—
Net sales	3,094,678	3,463,285	2,961,495	1,354,967	5,367,927	1,331,843	737,854
Segment income (loss)	\$ 308,490	\$ 450,345	\$ 153,627	\$ 196,009	\$ 419,879	\$ 72,607	\$ 84,389
Segment assets	\$ 512,261	\$ 408,873	\$2,168,224	\$ 162,634	\$1,236,390	\$1,346,353	\$1,466,845
Other items:							
Depreciation and amortization	33,557	17,056	12,213	1,034	7,552	10,653	124
Increase in property, plant and equipment and intangible assets	35,423	14,596	18,224	747	7,360	9,514	3,580

Thousands of U.S. dollars							
2021							
Reportable segments							
	Urban redevelopment	Overseas	Sub Total	Other	Total	Adjustments	Consolidated
Sales to third parties	\$1,004,527	\$3,547,913	\$22,736,600	\$683,231	\$23,419,832	\$ —	\$23,419,832
Intersegment sales and transfers	1,340	—	129,269	56,173	185,442	(185,442)	—
Net sales	1,005,867	3,547,913	22,865,869	739,414	23,605,283	(185,442)	23,419,832
Segment income (loss)	\$ 158,547	\$ 380,054	\$ 2,223,985	\$ (23,737)	\$ 2,200,249	\$ (415,036)	\$ 1,785,212
Segment assets	\$5,193,539	\$8,840,697	\$21,335,863	\$125,584	\$21,461,447	\$3,671,210	\$25,132,667
Other items:							
Depreciation and amortization	74,263	14,108	170,588	6,537	177,125	30,810	207,944
Increase in property, plant and equipment and intangible assets	759,131	10,758	859,370	239	859,619	65,046	924,665

“Other” in the above tables represents a segment other than the reportable segments, which mainly includes the exterior business.

Adjustments in the above tables:

The adjustments of segment income (loss) in the amounts of ¥43,363 million (\$415,036 thousand) and ¥42,434 million for the years ended January 31, 2021 and 2020 include eliminations of intersegment transactions of ¥3,145 million (\$30,101 thousand) and ¥2,961 million and corporate expenses of ¥40,217 million (\$384,925 thousand) and ¥39,472 million, respectively. The corporate expenses were mainly related to administration expenses and research and development costs.

The adjustments of segment assets in the amounts of ¥383,568 million (\$3,671,210 thousand) and ¥374,309 million at January 31, 2021 and 2020, respectively, include corporate assets consisting of

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surplus funds held by the Company (cash and short-term investments), long-term investments (investments in securities) and assets of administration departments.

The adjustments of depreciation and amortization in the amounts of ¥3,219 million (\$30,810 thousand) and ¥2,858 million for the years ended January 31, 2021 and 2020, respectively, consist of depreciation and amortization arising from corporate assets.

The adjustments of increase in property, plant and equipment and intangible assets in the amounts of ¥6,796 million (\$65,046 thousand) and ¥4,761 million for the years ended January 31, 2021 and 2020, respectively, consist of the purchases of equipment by the Company.

The total amount of segment income (loss) in the above tables is adjusted to operating income of the accompanying consolidated statements of income for the years ended January 31, 2021 and 2020.

Related Information

Information on each product and service for the years ended January 31, 2021 and 2020 was omitted because it was identical to that of the reportable segment information.

Geographical information on net sales for the years ended January 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Japan	¥2,069,993	¥2,022,711	\$19,812,337
Others	376,911	392,475	3,607,494
Total	¥2,446,904	¥2,415,186	\$23,419,832

Geographical information on property, plant and equipment for the years ended January 31, 2021 and 2020 was omitted because there were no items that meet the disclosure criteria.

Sales information by major customer for the years ended January 31, 2021 and 2020 was omitted because there were no items that meet the disclosure criteria.

Information on loss on impairment of fixed assets by reportable segment for the years ended January 31, 2021 and 2020 was as follows:

	Millions of yen						
	Year ended January 31, 2021						
	Custom detached houses	Rental housing	Architectural/Civil engineering	Remodeling	Real estate management fees	Houses for sale	Condominiums
Loss on impairment of fixed assets	¥43	¥—	¥13	¥—	¥—	¥—	¥—

	Millions of yen					
	Year ended January 31, 2021					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	¥278	¥—	¥20	¥356	¥—	¥356

	Millions of yen						
	Year ended January 31, 2020						
	Custom detached houses	Rental housing	Architectural/Civil engineering	Remodeling	Real estate management fees	Hoouses for sale	Condominiums
Loss on impairment of fixed assets	¥604	¥—	¥—	¥—	¥—	¥157	¥—

	Millions of yen					
	Year ended January 31, 2020					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	¥1,519	¥11,225	¥45	¥13,552	¥—	¥13,552

	Thousands of U.S. dollars						
	Year ended January 31, 2021						
	Custom detached houses	Rental housing	Architectural/Civil engineering	Remodeling	Real estate management fees	Houses for sale	Condominiums
Loss on impairment of fixed assets	\$412	\$—	\$124	\$—	\$—	\$—	\$—

	Thousands of U.S. dollars					
	Year ended January 31, 2021					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	\$2,661	\$—	\$191	\$3,407	\$—	\$3,407

Information on amortization of goodwill and the remaining balance by reportable segment as of and for the years ended January 31, 2021 and 2020 was as follows:

	Millions of yen						
	As of and for the year ended January 31, 2021						
	Custom detached houses	Rental housing	Architectural/Civil engineering	Remodeling	Real estate management fees	Houses for sale	Condominiums
Amortization of goodwill	¥—	¥—	¥—	¥—	¥—	¥—	¥—
Remaining balance	—	—	—	—	—	—	—

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Millions of yen						
As of and for the year ended January 31, 2021						
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	¥ —	¥1,391	¥ —	¥1,391	¥ —	¥1,391
Remaining balance	—	1,575	—	1,575	—	1,575

Millions of yen							
As of and for the year ended January 31, 2020							
	Custom detached houses	Rental housing	Architectural/Civil engineering	Remodeling	Real estate management fees	Houses for sale	Condominiums
Amortization of goodwill	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Remaining balance	—	—	—	—	—	—	—

Millions of yen						
As of and for the year ended January 31, 2020						
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	¥ —	¥1,427	¥ —	¥1,427	¥ —	¥1,427
Remaining balance	—	3,097	—	3,097	—	3,097

Thousands of U.S. dollars							
As of and for the year ended January 31, 2021							
	Custom detached houses	Rental housing	Architectural/Civil engineering	Remodeling	Real estate management fees	Houses for sale	Condominiums
Amortization of goodwill	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Remaining balance	—	—	—	—	—	—	—

Thousands of U.S. dollars						
As of and for the year ended January 31, 2021						
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	\$ —	\$13,314	\$ —	\$13,314	\$ —	\$13,314
Remaining balance	—	15,075	—	15,075	—	15,075

There was no information on gain on bargain purchase for the years ended January 31, 2021 and 2020.

20. Related Party Transactions

Principal transactions and balances between the Company and its related parties as of and for during the year ended January 31, 2021 and 2020 are summarized as follows:

Names of related parties	Description	Transaction amount		Balances	
		2021	Thousands of U.S. dollars	2021	Thousands of U.S. dollars
<i>Shiro Inagaki</i> <i>Vice Chairman & Representative Director</i>	Remodeling of house	¥37	\$354	—	¥ — \$ —

Names of related parties	Description	Transaction amount		Balances	
		2020	Thousands of U.S. dollars	2020	Thousands of U.S. dollars
<i>Toshinori Abe</i> <i>Chairman & Representative Director</i>	Sales of condominium	¥ 57		—	¥ —
<i>Relative of Toshinori Abe</i>	Sales of condominium	¥ 72		—	¥ —
<i>Relative of Toshinori Abe</i>	Sales of condominium	¥ 71		—	¥ —
<i>Company in which a relative of Kunpei Nishida own a majority of the voting rights</i>	Construction of house	¥136		—	¥ —

The prices for the transactions were determined using the same method as for third party transactions.

21. Other Comprehensive Income

The following table presents an analysis of other comprehensive (loss) income for the years ended January 31, 2021 and 2020.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net unrealized holding (loss) gain on securities:			
Amount arising during the year	¥ 2,810	¥ 10,951	\$ 26,895
Reclassification adjustments for loss included in profit	(2,927)	(283)	(28,015)
Before tax effect	(116)	10,667	(1,110)
Tax effect	(79)	(3,284)	(756)
Net unrealized holding (loss) gain on securities	(196)	7,382	(1,876)
Translation adjustments:			
Amount arising during the year	(8,903)	(9,598)	(85,212)
Reclassification adjustments for gain (loss) included in profit	2,151	(966)	20,588
Before tax effect	(6,752)	(10,565)	(64,625)
Tax effect	(1,467)	412	(14,041)
Translation adjustment	(8,219)	(10,152)	(78,666)
Retirement benefits liability adjustments:			
Amount arising during the year	4,722	4,529	45,195
Reclassification adjustments for gain included in profit	7,833	163	74,971
Before tax effect	12,556	4,693	120,176
Tax effect	(3,832)	(1,414)	(36,677)
Retirement benefits liability adjustments	8,724	3,278	83,499
Share of other comprehensive loss of affiliates accounted for by the equity method:			
Amount arising during the year	(593)	(323)	(5,676)
Reclassification adjustments for loss included in profit	(9)	(126)	(86)
Share of other comprehensive loss of affiliates accounted for by the equity method	(602)	(450)	(5,762)
Total other comprehensive (loss) income	¥ (294)	¥ 58	\$ (2,814)

22. Supplemental Information to Consolidated Statements of Cash Flows

During the fiscal year ended January 31, 2020, Otori Holdings, Co., Ltd., a former affiliate accounted for by the equity method (it ceased to exist following an absorption-type merger on October 1, 2020 involving Konoike Construction Co., Ltd., its consolidated subsidiary and surviving company), was included in consolidation as the result of the Company exercising an option to convert all its preferred shares and acquire the majority of the voting rights. The major components of assets and liabilities of Otori Holdings, Co., Ltd. as of the date of consolidation are as follows:

	Millions of yen
Current assets (*)	¥187,268
Non-current assets	42,154
Total assets	¥229,422
Current liabilities	¥117,827
Non-current liabilities	19,876
Total liabilities	¥137,703

(*) "Current assets" above includes ¥ 93,981 million of cash and cash equivalents and it is presented as "Net increase in cash and cash equivalents resulting from change in scope of consolidation" in the consolidated statement of cash flows.

During the year ended January 31, 2021, the Company acquired shares by contribution in kind. Details of the movement resulting from the acquisition of shares by contribution in kind are as follows:

	Millions of yen	Thousands of U.S. dollars
Decrease in long-term loan receivables	¥16,323	\$156,231
Decrease in accounts receivable-other	628	6,011
Increase in investments in securities	¥16,951	\$162,242

23. Additional Information

(Effect of COVID-19 on accounting estimates)

The COVID-19 pandemic has affected the business activities of the Group, however, it is extremely difficult to predict the future spread of the disease and when it will end.

To determine the recoverability of deferred tax assets and the recognition of impairment loss, etc., the Company made accounting estimates assuming that the effect of COVID-19 will have remained, but gradual recovery is expected to start during the year ending January 31, 2022 based on the information available at the time of preparation of the consolidated financial statements.

24. Subsequent Events

1. Cash dividends

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended January 31, 2021, was approved at a shareholders' meeting held on April 27, 2021:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥ 39 = U.S.\$ 0.37 per share)	¥26,562	\$254,230

2. Acquisition of treasury stock

The Company determined to acquire treasury stock in accordance with Article 156 and Article 165 (3) of the Law at a meeting of the Board of Directors held on March 4, 2021. Details of the acquisition of treasury stock are as follows:

Objective	In order to improve shareholder returns through flexible financing corresponding to the changes in the business environment and the improvement of return on equity
Class of treasury stock	Common stock
Total treasury stock the Company may acquire	8,000,000 shares, at maximum
Total acquisition amount	¥15,000 million (\$143,568 thousand), at maximum
Acquisition period	From March 5, 2021 to January 31, 2022
Acquisition method	Tender offer (including Nagoya Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System (N-NET3))

Under the above determination, the Company acquired treasury stocks during the period until March 31, 2021 as follows:

Class of treasury stock	Common stock
Total treasury stock the Company acquired	1,136,000 shares
Total acquisition amount	¥2,590 million (\$24,789 thousand)
Acquisition period	From March 5 to 31, 2021
Acquisition method	Tender offer at Tokyo Stock Exchange

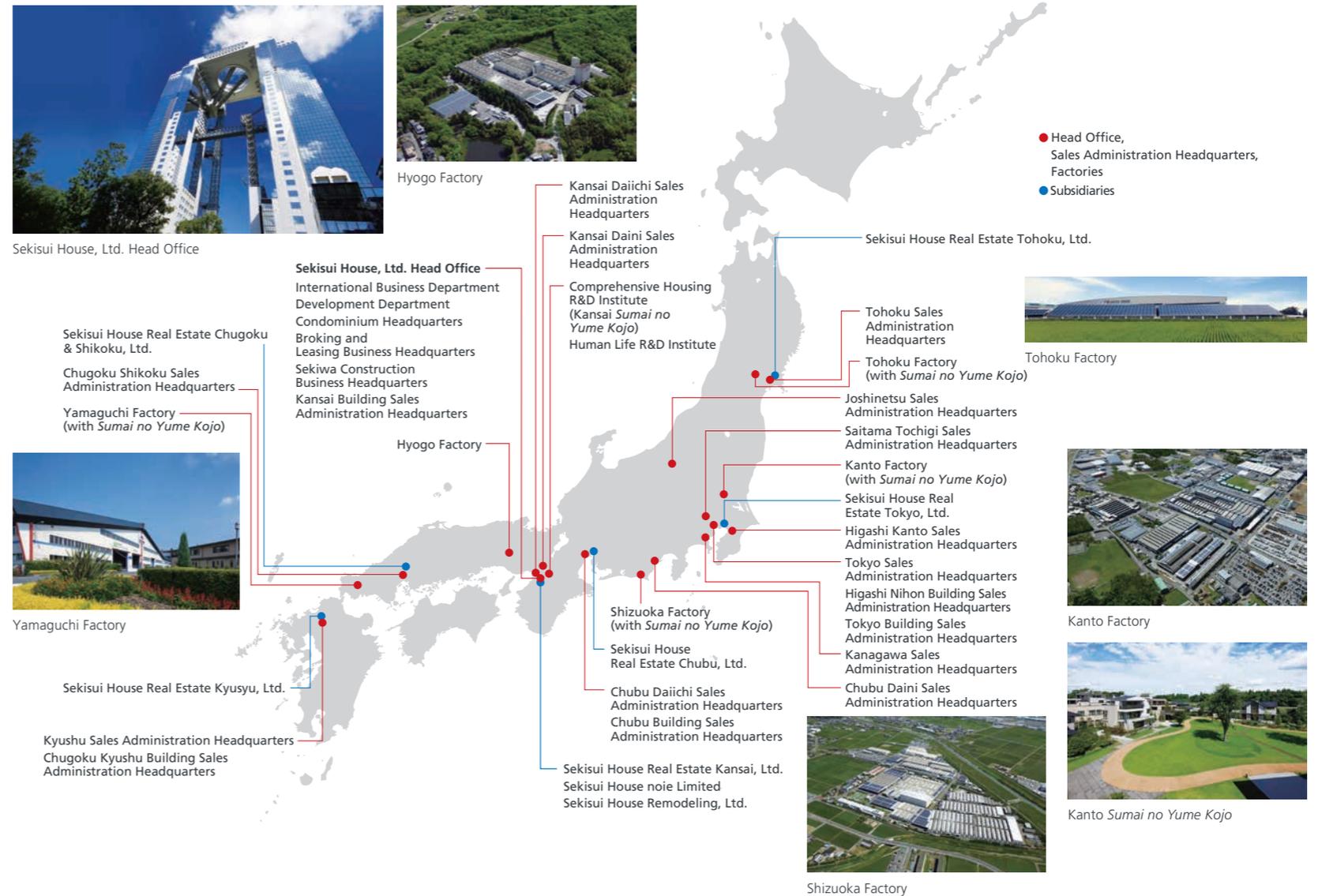
Company Information (As of January 31, 2021)

Corporate Profile

Corporation Name	Sekisui House, Ltd.
Head Office	Umeda Sky Building Tower East, 1-1-88, Oyodonaka, Kita-ku, Osaka, 531-0076, Japan
Date of Establishment	August 1, 1960
Capital Stock	¥202,591.2 million
Factories	Tohoku (Miyagi Prefecture), Kanto (Ibaraki Prefecture), Shizuoka, Hyogo and Yamaguchi
Research Institutes	Comprehensive Housing R&D Institute and Human Life R&D Institute
Sales and Service Offices	Sales Offices: 119 Customer Service Centers: 30 Display House Locations: 333
Group Companies	280 companies (Consolidated, 54 in Japan, 226 overseas) Sekisui House Real Estate Group: 6 companies Sekisui House Remodeling, Ltd. Sekiwa Construction: 17 companies Note: 15 companies as of February 1, 2021 due to merger Sekisui House noie Limited Konoike Construction Co., Ltd. Others

As of February 1, 2020, Sekiwa Real Estate was renamed Sekisui House Real Estate.

Locations in Japan



Share Information (As of January 31, 2021)

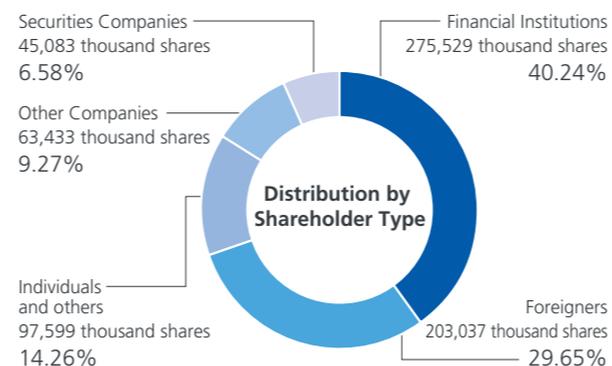
Total number of shares authorized	1,978,281,000
Total number of shares issued	684,683,466 shares (including 3,581,075 treasury shares)
Trading unit	100 shares
Total number of shareholders	90,474

Major Shareholders

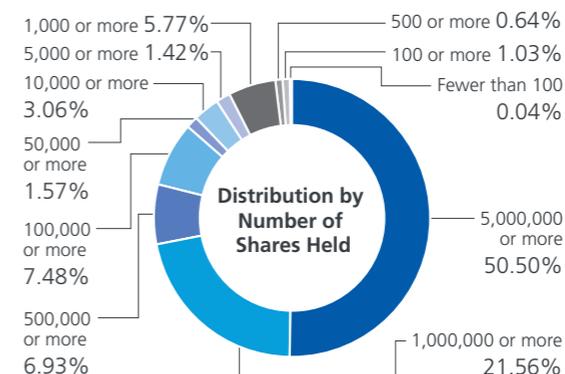
Name	Number of Shares Held (Thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	66,713	9.79%
Custody Bank of Japan, Ltd. (Trust Account)	39,302	5.77%
Sekisui Chemical Co., Ltd.	37,168	5.46%
SMBC Nikko Securities Inc.	23,050	3.38%
Employees' Stockholding	17,939	2.63%
Custody Bank of Japan, Ltd. (Trust Account 7)	14,833	2.18%
The Dai-ichi Life Insurance Company, Limited	12,158	1.79%
STATE STREET BANK WEST CLIENT — TREATY 505234	10,911	1.60%
MUFG Bank, Ltd.	10,899	1.60%
Custody Bank of Japan, Ltd. (Trust Account 5)	10,794	1.58%

Notes:
 1. Employees' Stockholding is the Company employee stockholders association.
 2. Shareholding ratios are calculated after deducting treasury shares from the total number of shares issued.

Composition of Shares



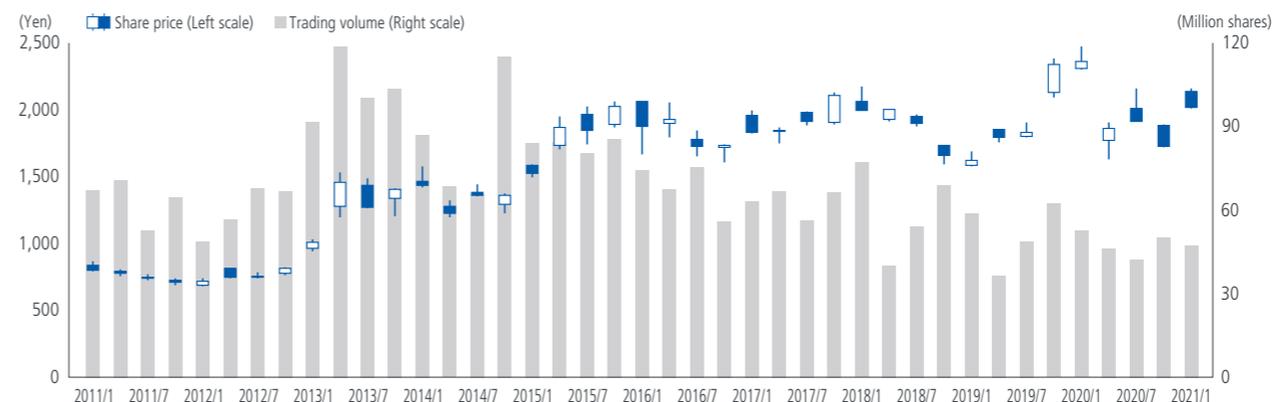
Note: 3,581 thousand treasury shares are included in "Individuals and others"



Other Significant Matters Regarding Shareholdings

The Company retired a total of 6,000,000 treasury shares in accordance with a resolution of the Board of Directors at a meeting held on March 5, 2020. In accordance with the same resolution (with the revision of certain details by a resolution of the Board of Directors at a meeting held on September 10, 2020), the Company repurchased a total of 2,782,400 Company shares.

Share Price and Trading Volume



Main External Evaluations and Awards Note: Includes some awards received in FY2021.

Sustainability and ESG Management

Evaluations from ESG Evaluation Organizations

February 2020 RobecoSAM Sustainability Ranking 2020
Silver Class distinction in the homebuilding category
https://www.sekisuihouse.co.jp/library/english/topics/datail/___icsFiles/afiedfile/2020/02/17/20200206e.pdf



November 2020 Dow Jones Sustainability Indices
World Index (DJSI World) 5th consecutive year
DJSI Asia Pacific 4th consecutive year
Named industry leader
https://www.sekisuihouse.co.jp/library/company/topics/2020/20201118_2e.pdf



February 2021 S&P Global Sustainability Award
Selected for Gold Class
https://www.sekisuihouse.co.jp/english/company/release/library/2021/20210212_e.pdf



Sekisui House has also been included in all four ESG indices selected by Japan's Government Pension Investment Fund (GPIF) since their inception. GPIF holds one of the world's largest pools of pension assets.

	FTSE Blossom Japan Index	MSCI Japan ESG Select Leaders Index	MSCI Japan Empowering Women Index (WIN)	S&P/JPX Carbon Efficient Index
ESG indices selected by GPIF				
Index category	ESG (overall)	ESG (overall)	Social	Environmental
Sekisui House selection	Since July 2017			Since September 2018

Environmental

Grand Prize, Reiwa 2nd Year Climate Change Action Minister of the Environment Awards (Advanced introduction/Active practice category, Mitigation field)

November 2020 Sponsor: Ministry of the Environment
<https://www.sekisuihouse.co.jp/library/company/topics/2020/20201102.pdf> (Japanese only)



Silver Award, 2nd ESG Finance Awards Japan (Minister of the Environment's Award)

February 2021 Sponsor: Ministry of the Environment
<https://www.sekisuihouse.co.jp/library/company/topics/2021/20210224.pdf> (Japanese only)



Social

Grand Prix, Ikumen Enterprise Awards 2020

October 2020 Sponsor: Ministry of Health, Labour and Welfare
<https://www.sekisuihouse.co.jp/library/company/topics/2020/20201028.pdf> (Japanese only)



2021 Bloomberg Gender-Equality Index

January 2021 Sponsor: Bloomberg L.P.
<https://www.sekisuihouse.co.jp/library/company/topics/2021/20210128.pdf> (Japanese only)



FY2020 Nadeshiko Brand

March 2021 Sponsors: Ministry of Economy, Trade and Industry and Tokyo Stock Exchange
<https://www.sekisuihouse.co.jp/library/company/topics/2021/20210322.pdf> (Japanese only)



Sekisui House Glossary

C	Chief Architect	An in-house certification based on Sekisui House’s original multifaceted evaluation for employees with extensive, high-quality design skills and qualities that make them a role model for other design employees.
	Chief Constructor	An in-house certification for outstanding onsite supervisors. Sekisui House provides training for onsite supervisors to raise the excellence of their daily work with the aim of increasing the number of Chief Constructors, which leads to improvements in brand power and productivity.
	Construction Meister	Sekisui House’s unique in-house system for recognizing outstanding technicians at its construction sites in order to improve construction quality and strengthen the mindset of a “community with a common destiny” shared with partner building contractors. Certification criteria include an extensive track record and experience in construction, superior techniques and skills, and excellence in leading and developing junior employees.
	CS Meister	Customer Support Meister, a designation created in 2017 with the aim of further improving customer satisfaction and increasing the number of loyal Sekisui House customers. Certification under Sekisui House’s unique in-house CS Meister system recognizes employees with a high level of skill and knowledge who take the initiative and excel in customer support.
K	Keiei-juku	A training program inaugurated in 2018 to develop and select organizational leaders suitable for taking on responsibility for the next generation of the Sekisui House Group. Emphasizing learning to broaden participants’ range of thinking and generosity of spirit, <i>Keiei-juku</i> is a forum for acquiring insight, building character, and learning management and leadership skills through study of topics from intelligence management and the liberal arts to advanced knowledge of innovation and digital transformation (DX), as well as financial accounting and concept work.
	Knowledge system	A database created from answers to customer inquiries during after-sales service.
	Metric specifications	A design standard based on dimensions in meters. Because a meter is approximately 9 cm longer than a <i>shaku</i> , the traditional Japanese unit of measurement for housing, spaces for corridors, stairs, bathrooms, washrooms, toilets and other areas are wider than in traditional Japanese housing designs
P	Platinum Specialist	An in-house qualification system for designers with the high-level expertise and skills necessary to design “platinum properties” (Sekisui House’s term for housing for the elderly, welfare facilities for the elderly and people with disabilities, as well as medical facilities such as clinics), and an extensive track record of high quality.

R	Residence Evaluation	A set of in-house evaluation items and standards for detached houses built by Sekisui House with the aim of leaving high-quality social assets for the next generation and improving the brand value of the Company’s detached houses. Topics include the use of natural materials in consideration of increasing value over time, creating extensive landscaping plans, and making exterior construction and appearance townscape assets.
S	Sekisui House Association	A voluntary organization comprised of Group companies involved in construction and partner contractors. The Sekiwa Construction companies and about 2,600 partner contractors throughout Japan are members. In cooperation with Sekisui House offices in each region, the association promotes various initiatives including improving construction quality, responding to customers and their neighborhoods, safety measures, site beautification, training of human resources and improvement of working environments.
	Sha Maison Gardens	A designation for rental properties that have cleared Sekisui House’s strict in-house standards from the perspectives of creating living environments and putting residents first from the planning stage in areas including townscape improvement (aesthetics), consideration of growing attractiveness over time (increasing value), safety and security (universal design) and comfort (adding value to lifestyles).
	Structural Planning Specialist	An in-house qualification for designers who have high-level expertise and skill regarding design standards, structural planning and geotechnical evaluation, and the capability to provide highly safe and rational structural design while using their planning skills to design high-quality spaces.
	SumStock	High-quality housing stock certified by The Provision of Quality Housing Stock Association, which consists of 10 major homebuilders including Sekisui House (as of May 2021) and aims to encourage the resale of quality housing stock through proper evaluation.
T	Type-approval	A system in which multiple houses and other buildings constructed to the same standard specifications, such as pre-engineered houses, are given advance examination of their structure, fire protection, equipment and other items for conformance with the Building Standard Law by a specialized committee member and approved by the Minister of Land, Infrastructure, Transport and Tourism, or an approval organization designated by Minister of Land, Infrastructure, Transport and Tourism.

See our *Sustainability Report 2021* for more details on Sekisui House’s social and environmental initiatives.
<https://www.sekisuihouse.co.jp/english/company/sustainable/2021/>





SEKISUI HOUSE

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Global website:
<https://www.sekisuihouse-global.com>

Corporate information and investor relations:
<https://www.sekisuihouse.co.jp/english/index.html>

