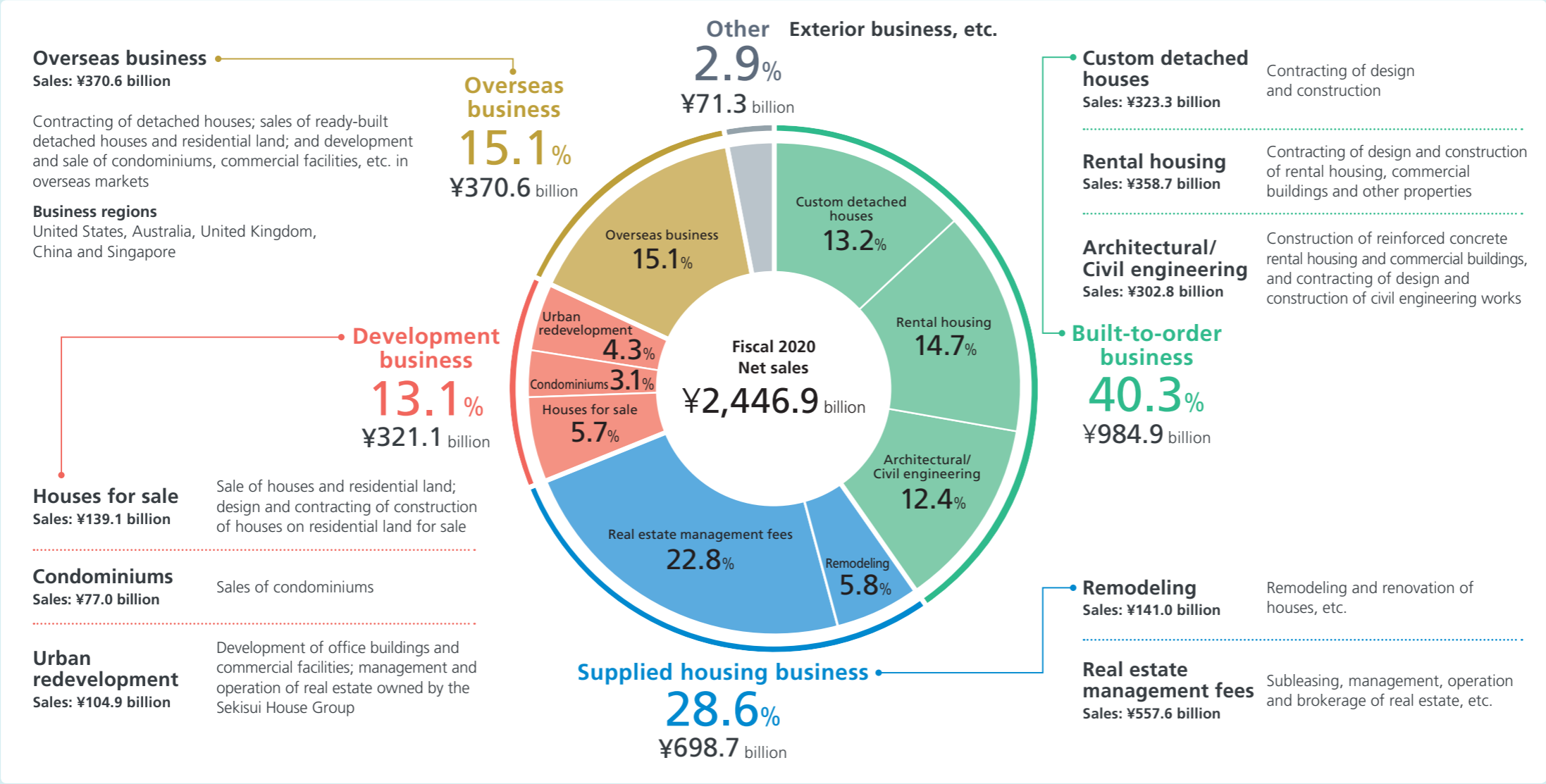


# Business Portfolio

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%** ZEH<sup>1</sup> ratio  
Largest cumulative total in Japan

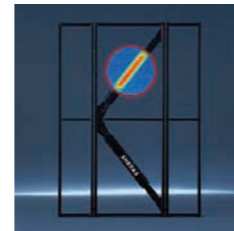
First company in Japan's construction industry to join RE100<sup>2</sup> **RE 100** | °C 

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

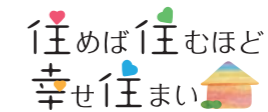
(As of January 31, 2021)



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





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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	 <b>Integrated Report</b> 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.

### 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 CO<sub>2</sub> 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

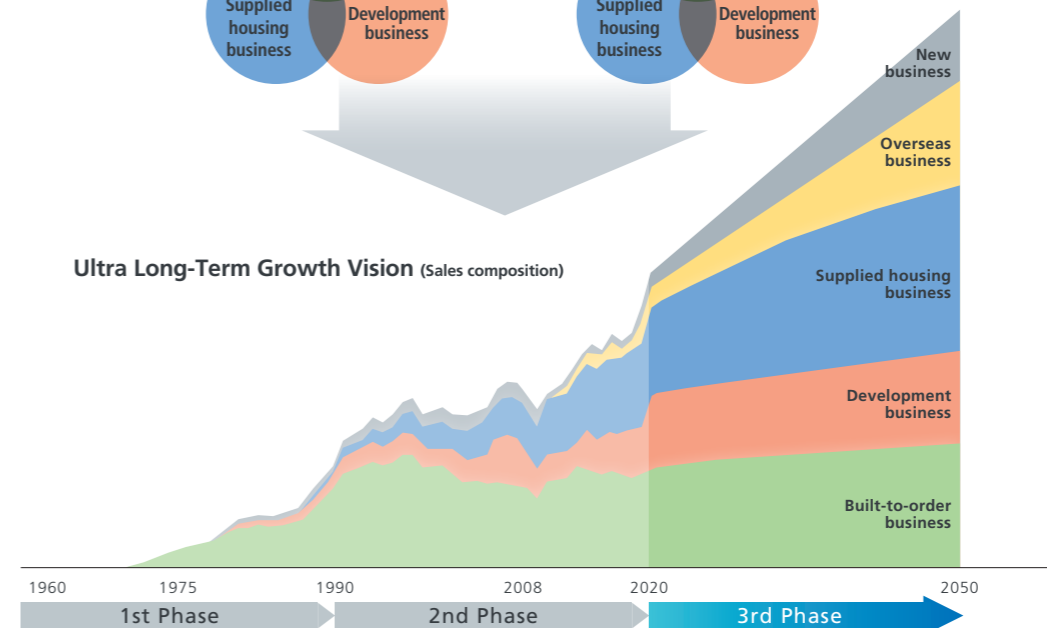
Expand domestic and overseas businesses by offering integrated proposals of technologies, lifestyle design and services

**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 → Pages 17-18

Management resources

- 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



Sekisui House Group Value Chain

## Core Competencies → Pages 20-21

- Technical Capabilities
- Construction Capabilities
- Customer Base

+ New Technologies/Open Innovation

Mid-Term Management Plan

Corporate Governance

## Outcomes → Pages 14-16

(Value created from material issues)

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

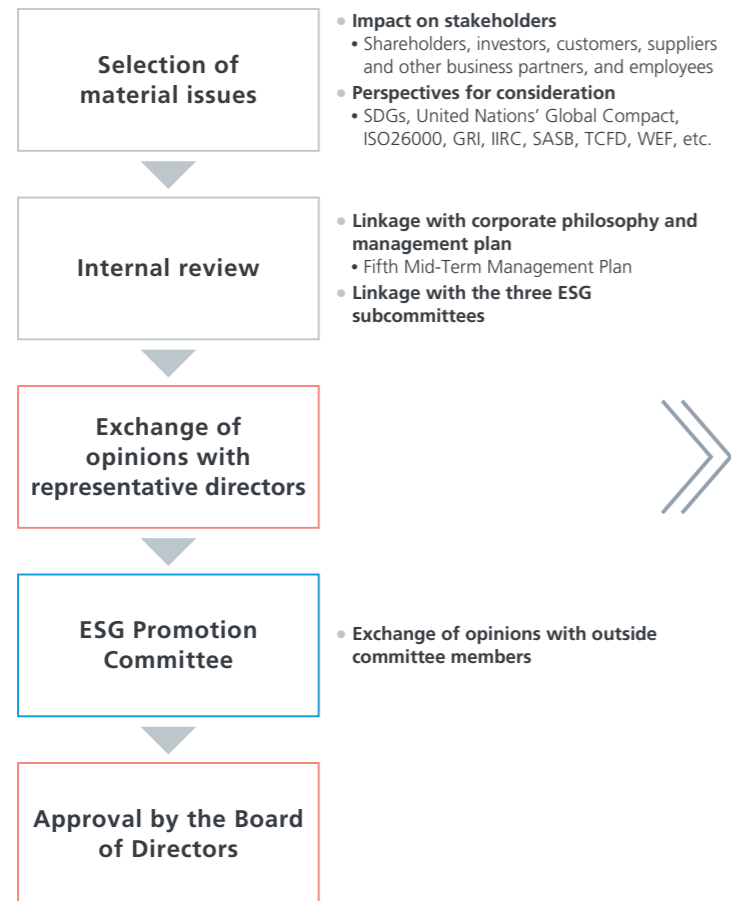
Promoting net zero energy housing (ZEH)
Promoting net zero energy buildings (ZEB)
Popularizing highly durable (long-lasting) homes, etc.
Growing adoption of renewable energy
Effective landscaping proposals for shrubs and trees
Popularization of water-saving housing facilities
Promotion of recycling business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

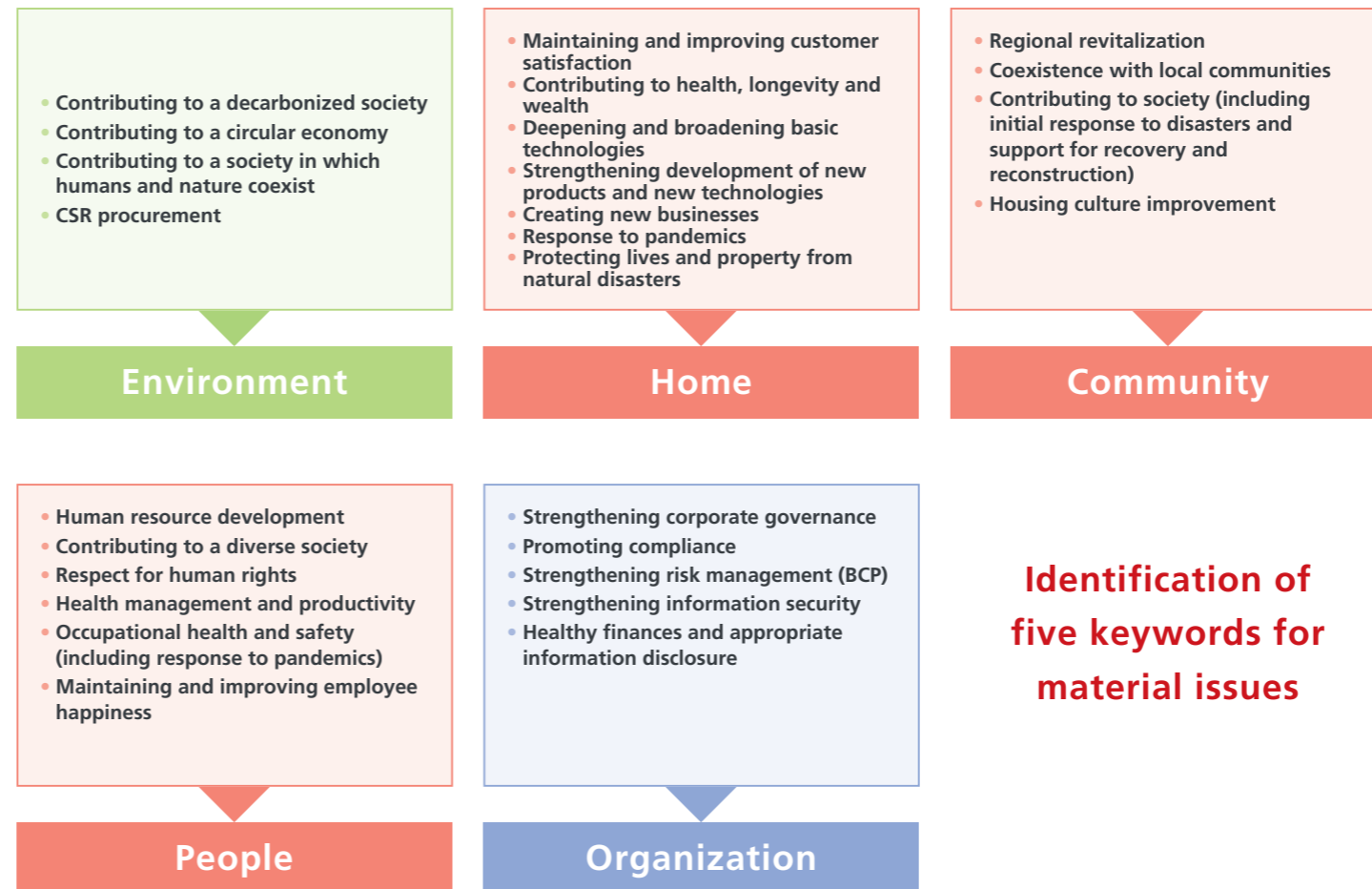
The Sekisui House Group has identified five material issues that are important to stakeholders and through which it has a significant impact on the economy, the environment and people. Following here are our initiatives for addressing these issues.

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 <sub>2</sub> emission reduction rate for new housing	%	42%	54.7%	45% reduction by 2030		41.6% as of FY2019
	Decarbonization of business operations	6	CO <sub>2</sub> 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

CO<sub>2</sub> emissions

**135,000** t-CO<sub>2</sub>

Waste emissions

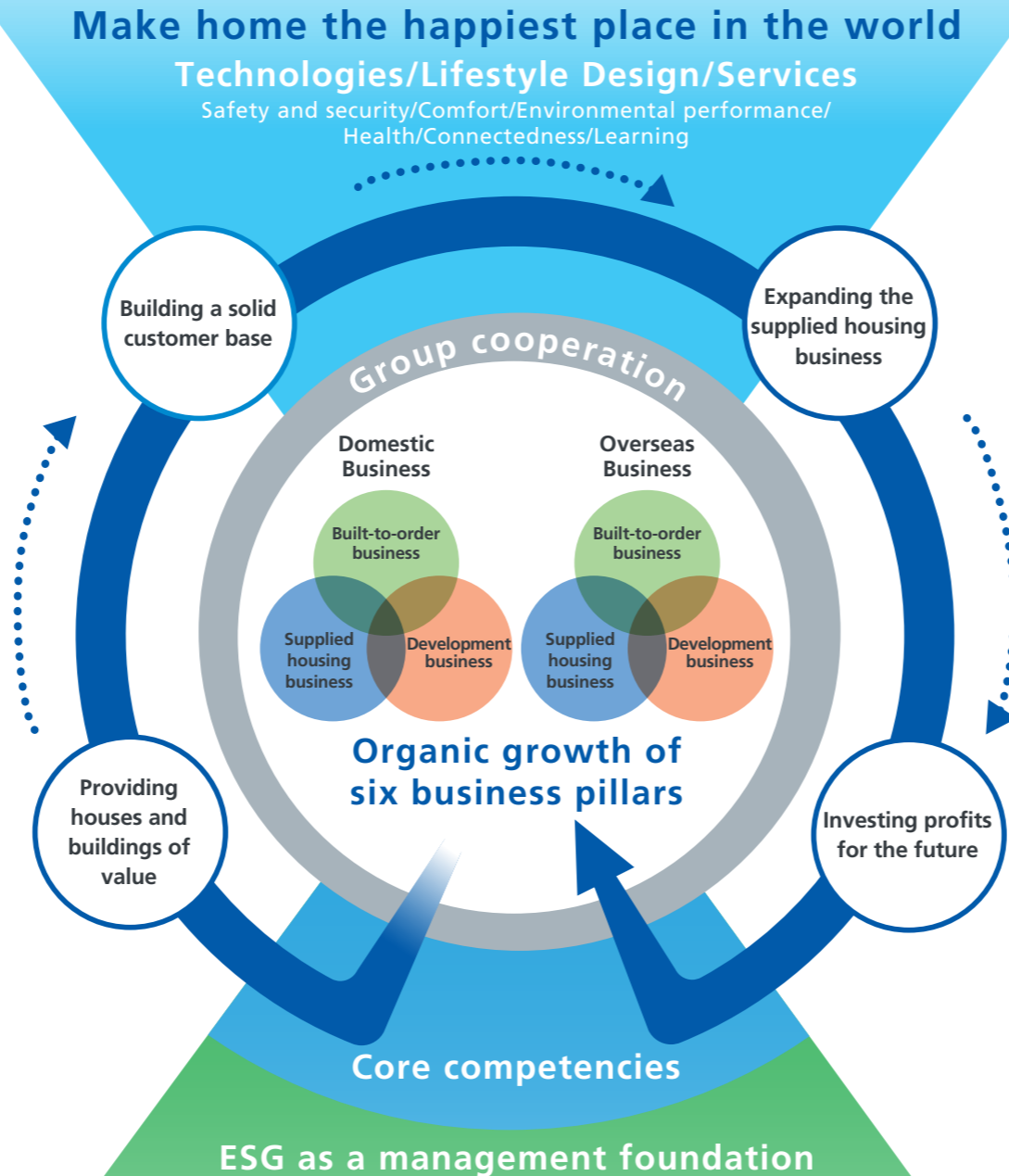
**1,107,000** tons

# 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

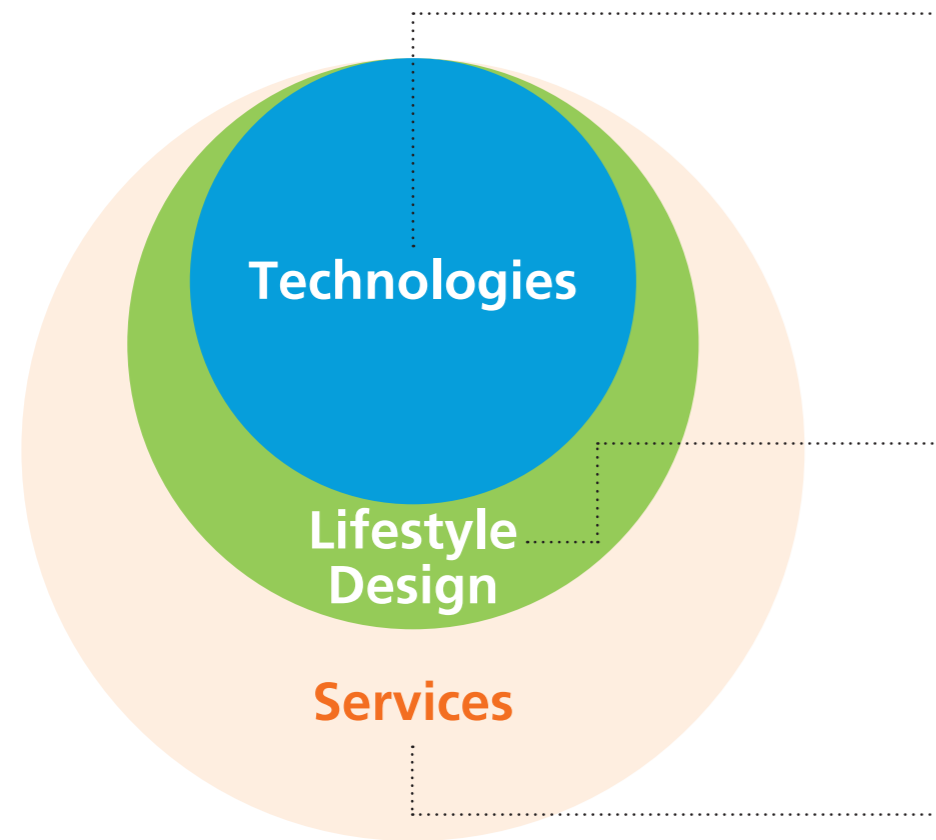
## Integrating Technologies, Lifestyle Design and Services

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.



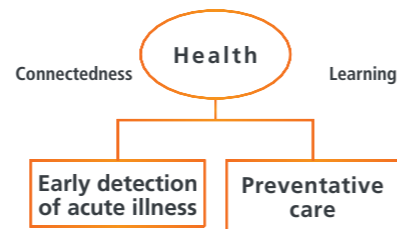
## Providing Services That Factor in Health

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

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

**Main Management Indicators** (Billions of yen)

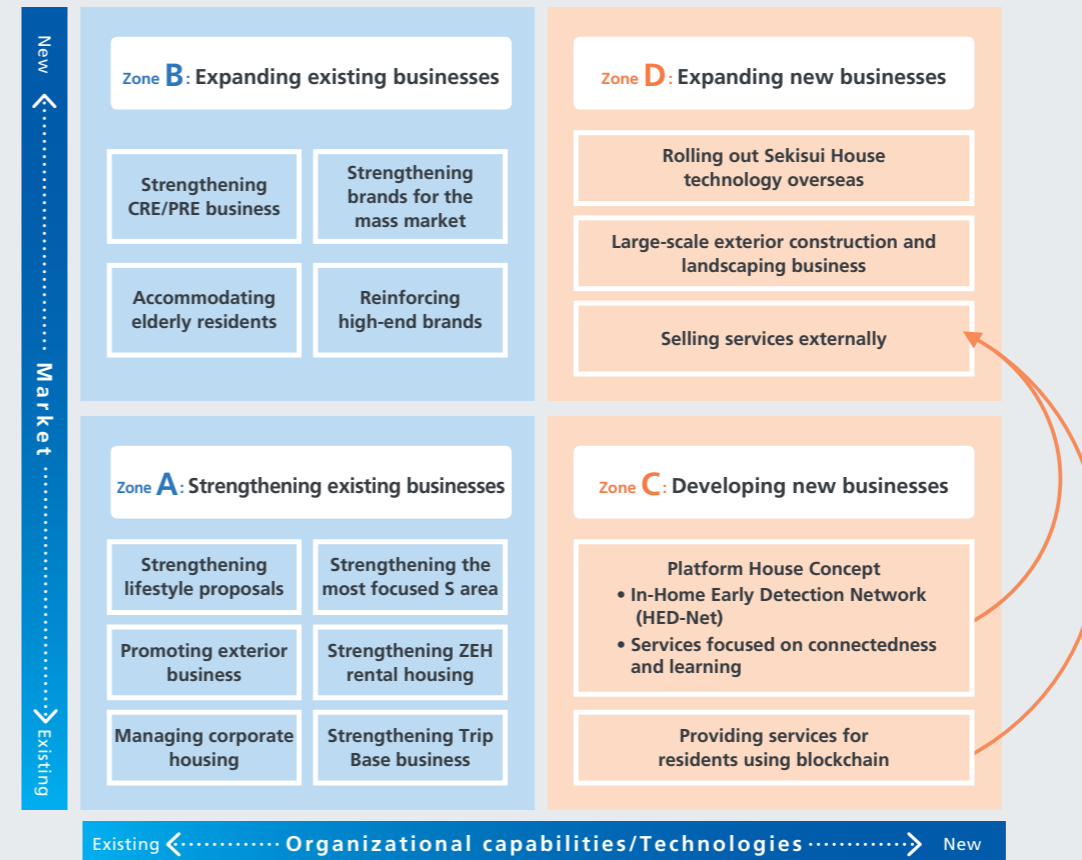
	2020 (Plan)*	2020 (Results)	2021 (Plan)*	2022 (Plan)
Net sales	2,415.0	2,446.9	2,552.0	2,700.0
Operating income	175.0	186.5	200.0	220.0
Ordinary income	172.5	184.6	200.0	219.0
Profit attributable to owners of parent	114.0	123.5	135.0	147.0
EPS	¥167.22	¥181.18	¥200.62	¥217.31
ROE	8.9%	9.5%	10.0%	Generate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



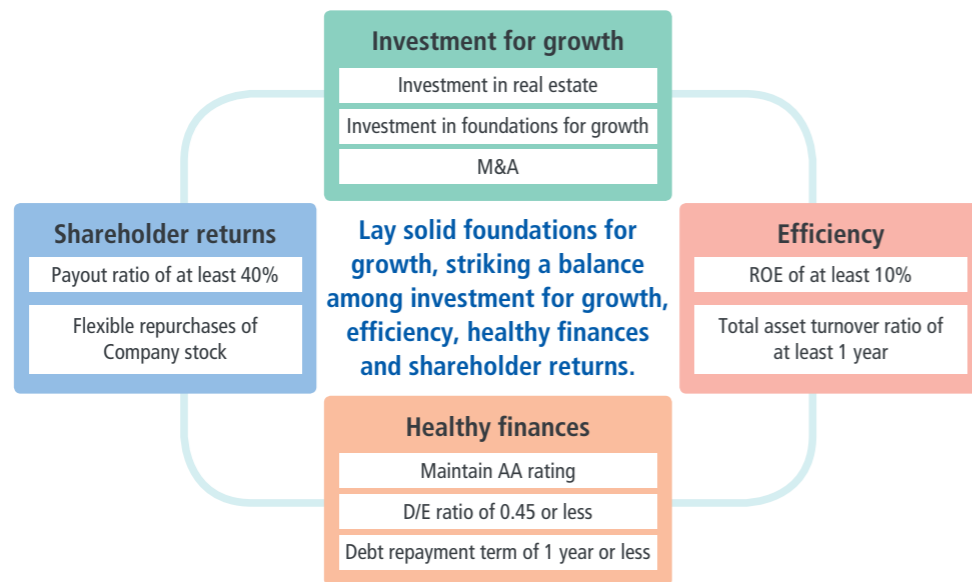
Concept of equipping houses with services supporting the “health,” “connectedness” and “learning” that will underpin new lifestyles, as well as initiatives such as utilizing the Internet of Things (IoT).

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 CO<sub>2</sub> emissions from houses and other buildings during occupancy or use, which accounts for the largest proportion of CO<sub>2</sub> 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 CO<sub>2</sub> 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.

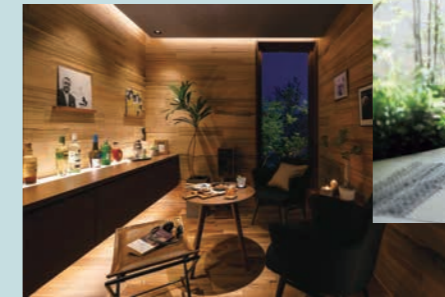
\* Virtual reality. VRscope® is a registered trademark of Toppan Printing Co., Ltd.



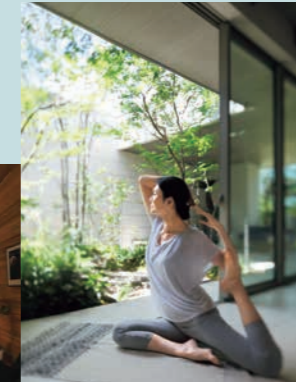
## Expanding Housing Features That Anticipate Change

### ▶ 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.



Uchi-de-Bar



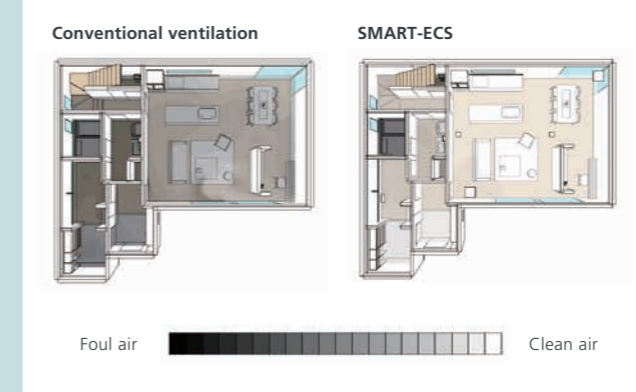
Ouchi-de-Fitness

### ▶ 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 construe a guarantee of SMART-ECS's air purification performance.

**Key Measures**

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

\* 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.

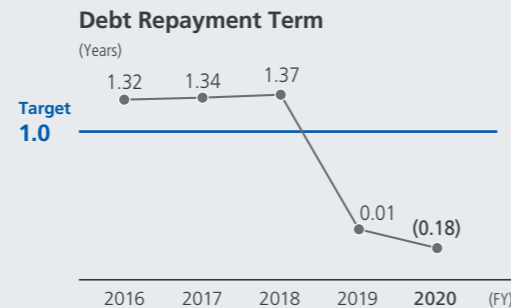
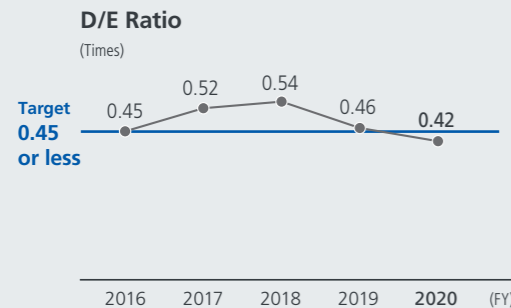
### Maintain AA Ratings\* as a Measure of Strong Health

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

	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

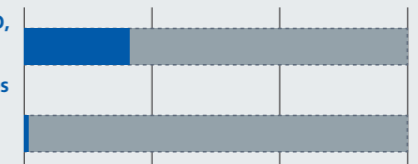
Three-year plan

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
<b>Fourth Mid-Term Management Plan</b> (Final FY result)	<b>11.5%</b>	<b>5.8%</b>		<b>0.96 times</b>		<b>2.06</b>
<b>Fifth Mid-Term Management Plan</b> (Target)	<b>At least 10%</b>	<b>At least 5%</b>		<b>At least 1 time</b>		<b>Approx. 2</b>
<b>Target level</b>		<b>At least 6%</b>		<b>At least 1.2 times</b>		<b>Approx. 2</b>

### ROE



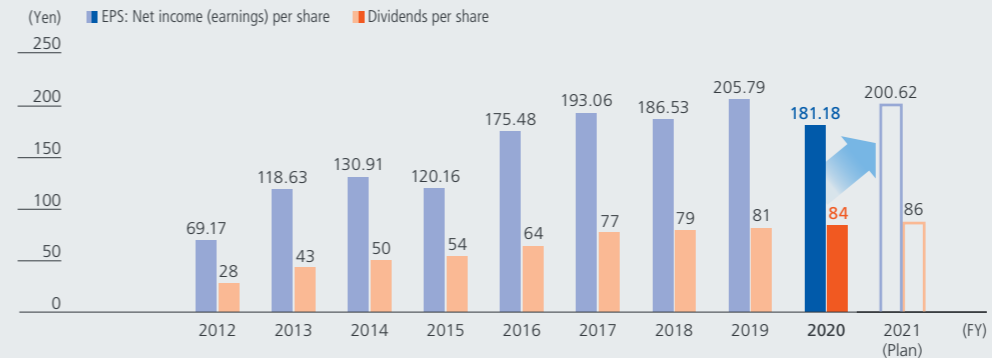
## Shareholder Returns

### 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