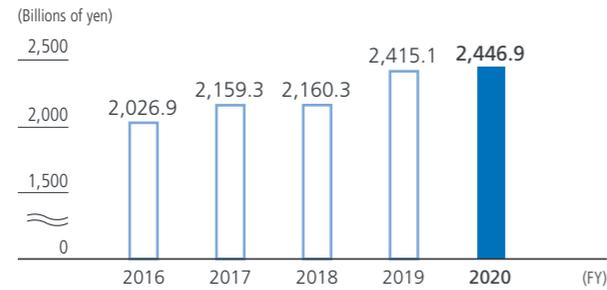


# Financial and Non-Financial Highlights (Consolidated)

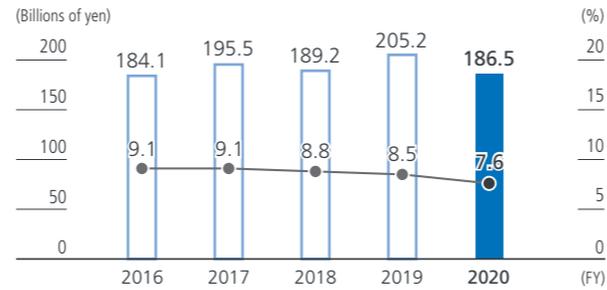
## Net Sales

**¥2,446.9 billion**



## Operating Income and Operating Margin

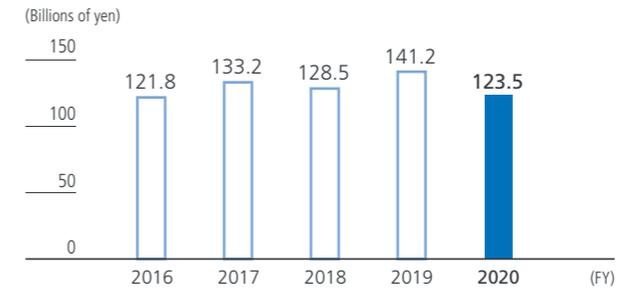
**¥186.5 billion / 7.6%**



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

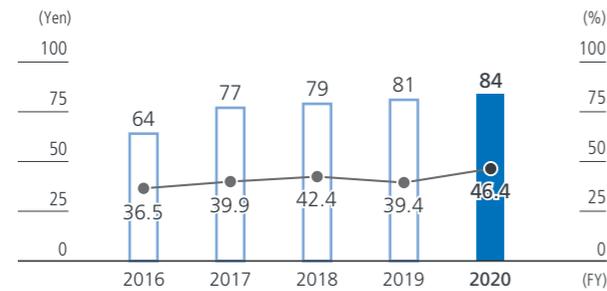
## Profit Attributable to Owners of Parent

**¥123.5 billion**



## Dividends per Share and Dividend Payout Ratio

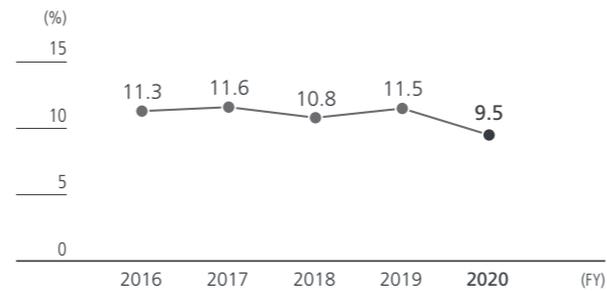
**¥84 / 46.4%**



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

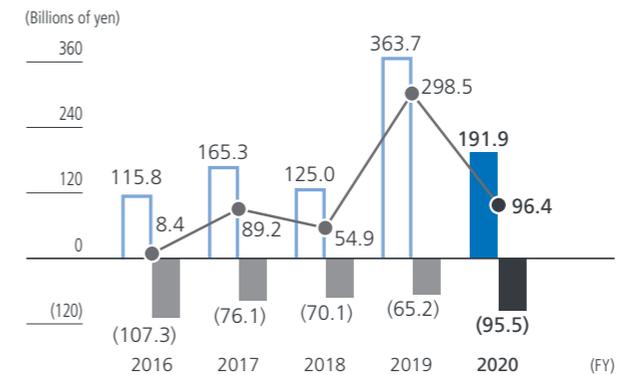
## Return on Equity

**9.5%**



## Free Cash Flow

**¥96.4 billion**

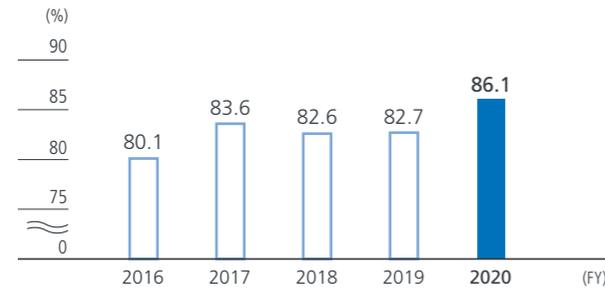


■ Cash flows from operating activities ■ Cash flows from investing activities ● Free cash flow

## Financial and Non-Financial Highlights (Consolidated)

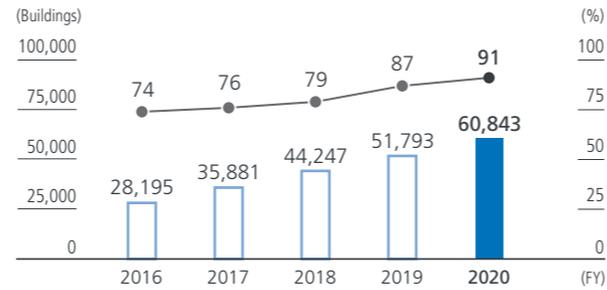
### Detached House CO<sub>2</sub> Emission Reduction Rate (Compared with FY1990)

**86.1%**



### Green First Zero (ZEH) Progress

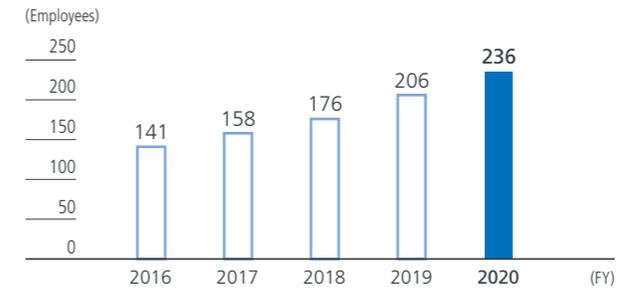
**60,843** Buildings / **91%** of Newly Built Houses Target: 90%



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

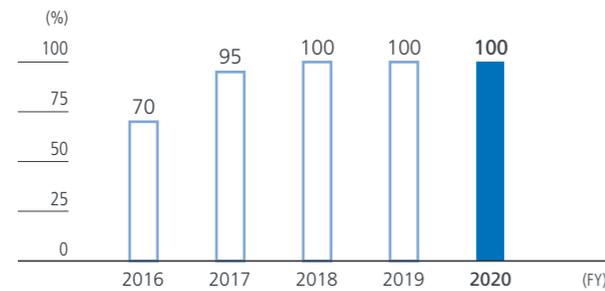
### Number of Female Employees in Managerial Positions

**236** Target: 260 by FY2022



### Male Employee Use of Childcare Leave\*

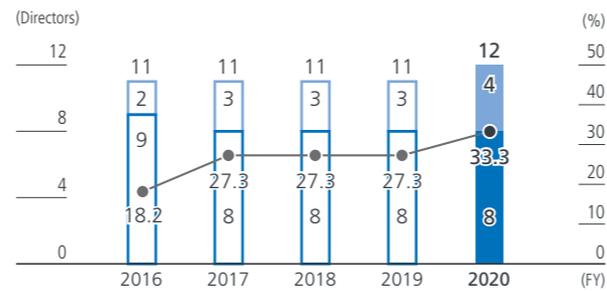
**100%**



\* 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

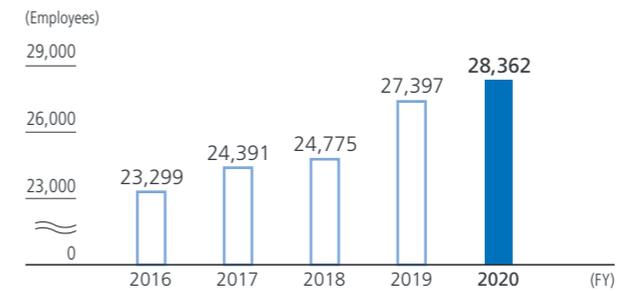
**33.3%**



■ 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.

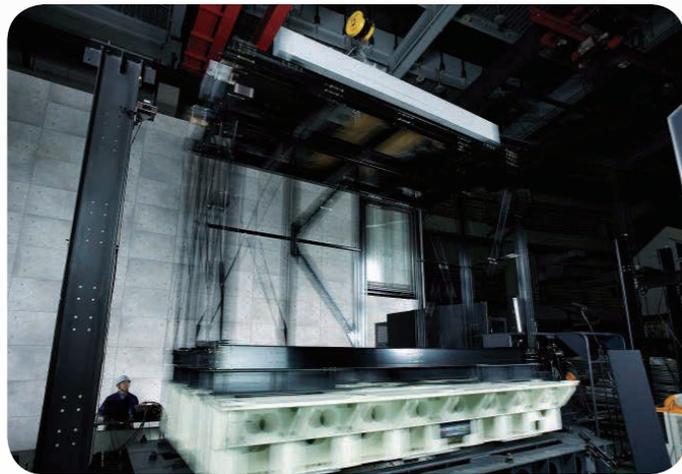
To implement this unique strategy of combining tangible and intangible elements, each individual division has responsibility for the value chain, from research and development to product development, design and technologies, sales, procurement, production, construction and customer service. The active 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;

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 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.

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.

### 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.

\* 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.