

Management Team

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



Kunpei Nishida

Representative Director
Executive Vice President &
Executive Officer

Strengthening Group Governance

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

Yoshihiro Nakai

Representative Director
President & Executive Officer,
CEO

Becoming a Leader in ESG Management

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

Yosuke Horiuchi

Representative Director
Vice Chairman &
Executive Officer

Accelerating Promotion of ESG Management

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

Satoshi Tanaka

Representative Director
Executive Vice President &
Executive Officer

For Employee Happiness

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

Basic Concept

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

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

Key Initiatives since 2018

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

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

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

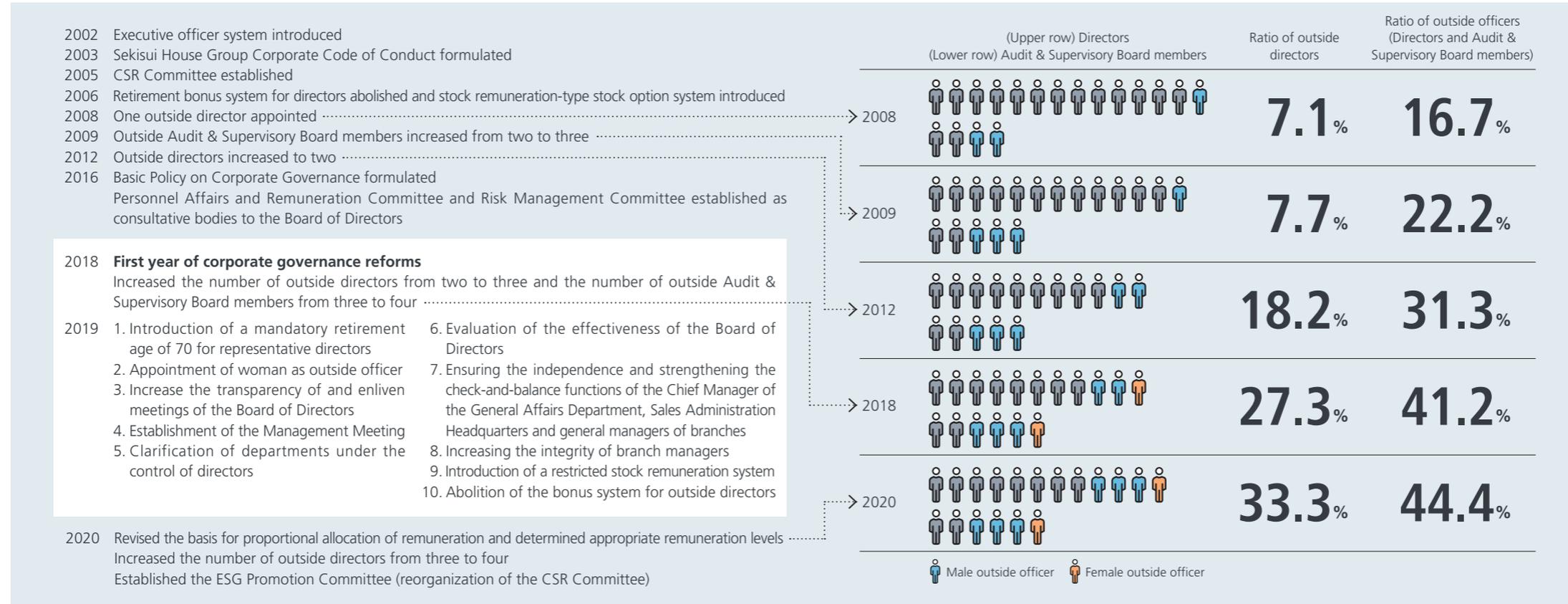
Sekisui House Corporate Pension Fund Announces Acceptance of Japan's Stewardship Code*

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

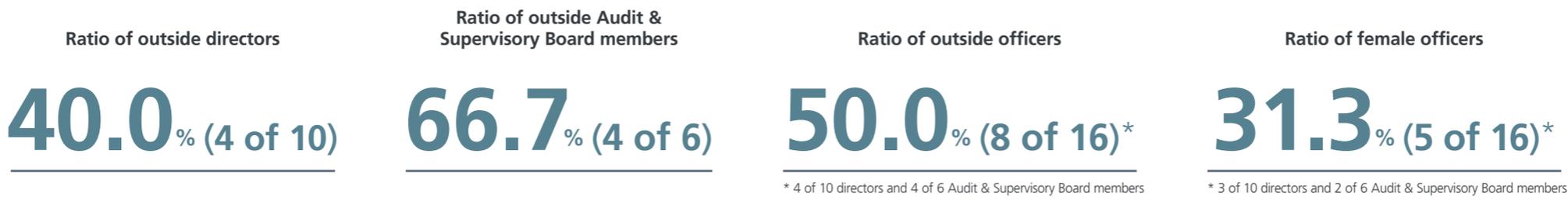
* Principles of conduct required of institutional investors to fulfill their responsibilities as asset management trustees.

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

Changes in Governance



Corporate Governance Highlights (As of April 28, 2021)



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

► Direction and Evaluation of Reforms to Date

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

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

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

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

1 Reforms at the Senior Management Level

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

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

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

1) Systemic corporate governance reforms and enhanced effectiveness

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

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

2) Enhance information disclosure and promote dialogue with stakeholders

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

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

2 Reforms at the Business Management Level

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

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

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

1) Increase integrity among business managers

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

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

2) Strengthen Group governance systems

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

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

Progress of Corporate Governance Reforms

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

► Strengthening the Effectiveness of the Personnel Affairs and Remuneration Committee

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

► Priorities for the Personnel Affairs and Remuneration Committee

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

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

2. Reorganization of the skill matrix

3. Policy and process for selecting new outside director candidates

4. Process for appointing the President & Representative Director

5. Reform of the executive officer system

6. Development of senior management

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

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

2. Reorganization of the skill matrix

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

Perspectives used as a basis for selecting director candidates

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

Reorganization of the Skill Matrix

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

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

3. Policy and process for selecting new outside director candidates

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

4. Process for appointing the President & Representative Director

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

Reasons for Appointing Directors and Audit & Supervisory Board Members

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

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

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

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

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

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

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

5. Reform of the executive officer system

6. Development of senior management

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

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

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

Corporate Governance System

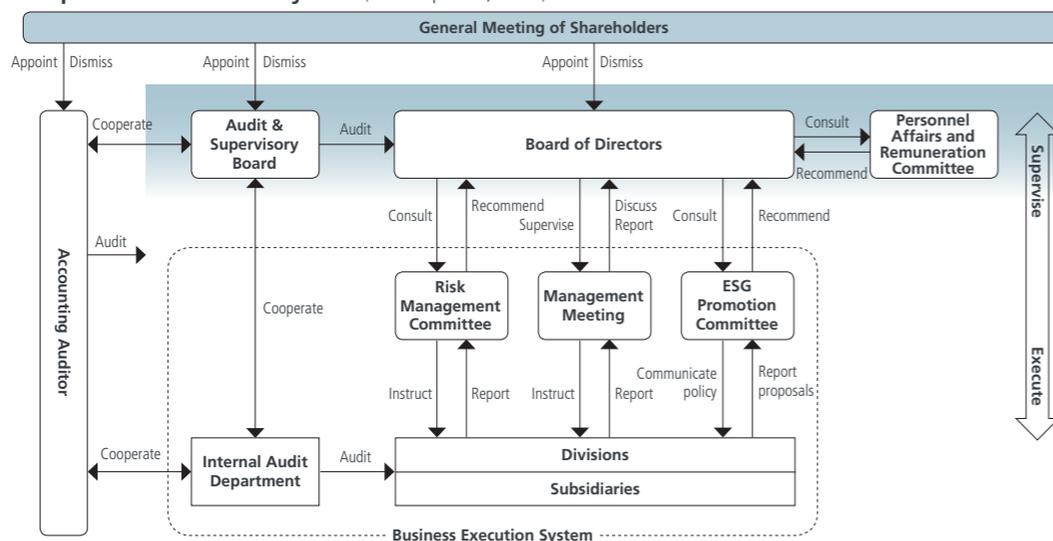
▶ Board of Directors

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

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

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

Corporate Governance System (As of April 28, 2021)



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

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

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

▶ Audit & Supervisory Board

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

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

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

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

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

▶ Personnel Affairs and Remuneration Committee

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

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

▶ Management Meeting

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

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

▶ ESG Promotion Committee

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

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

▶ Risk Management Committee

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

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

Office of Directors

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

Evaluation of Effectiveness of the Board of Directors

► Initiatives to Enhance the Effectiveness of the Board of Directors

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

FY2020 Initiatives to Enhance the Effectiveness of the Board of Directors

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

► Evaluation Method

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

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

Main Questionnaire Items

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

Summary of Evaluation Results

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

Strengths of the Board of Directors

• Composition and structure of the Board of Directors

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

• A culture that emphasizes communication, including lively discussions

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

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

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

Issues to Address

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

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

Officer Remuneration

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

Remuneration and Incentive Remuneration Framework for Executive Directors

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

► Basic Remuneration Policies

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

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

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

► Remuneration Governance

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

► Summary of Revisions

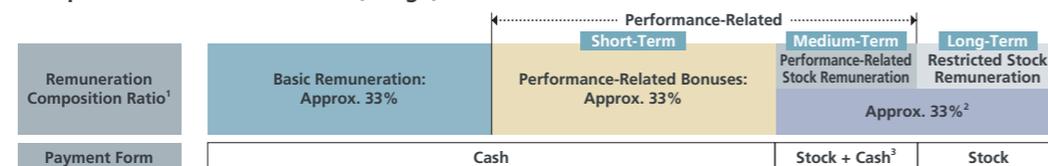
Introduction of Shareholding Guidelines

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

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

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

Composition of Remuneration (Image)



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

Officer Remuneration for FY2020

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

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

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

Total Consolidated Remuneration by Officer

(Millions of yen)

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

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

Compliance and Risk Management

▶ Promoting Compliance

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

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

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

Overview

Based on the Sekisui House Group's corporate philosophy, we use an anonymous questionnaire to conduct an annual Governance Awareness Survey of all Group employees to ensure that workplace environments have been modified to ensure everyone is working effectively together throughout the Group. By regularly surveying awareness of corporate ethics, the workplace environment and other factors, we gain an understanding of the current situation, and based on the survey results we provide opportunities for exchange of opinions on an organizational level as we focus on creating a more open workplace culture.

Main Survey Results

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

▶ Risk Management System Enhancement

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

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

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

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

▶ Business Continuity Planning

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

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

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

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

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

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

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

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



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

Background of Preparation of the Report

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

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

Evaluation and Recommendations of the Report

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

Initiatives in Response to Report Recommendations

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

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

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

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

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

Outside

Outside Director

Independent

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

Directors

Yoshihiro Nakai

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



Significant concurrent posts at other companies
None

Number of years in office as director
5

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

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

Yosuke Horiuchi

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



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

Number of years in office as director
5

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

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

Kunpei Nishida

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



Significant concurrent posts at other companies
None

Number of years in office as director
7

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

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

Satoshi Tanaka

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



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

Independent Director of IHH Healthcare Berhad

Number of years in office as director
1

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

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

Toshiharu Miura

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



Significant concurrent posts at other companies
None

Number of years in office as director
3

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

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

Toru Ishii

Director
Senior Managing Officer
In charge of Division of
Development Business



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

Number of years in office as director
1

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

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

Directors

Yukiko Yoshimaru

Outside Director



Outside Independent

Significant concurrent posts at other companies

Outside Director of Mitsui Chemicals, Inc.

Number of years in office as director
3

Attendance at meetings (FY2020)

Board of Directors: 13/13 (100%)

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

Yoshimi Nakajima

Outside Director



Outside Independent

Significant concurrent posts at other companies

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

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

Number of years in office as director
Newly appointed

Attendance at meetings (FY2020)

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

Toshifumi Kitazawa

Outside Director



Outside Independent

Significant concurrent posts at other companies

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

Outside Director of Mitsubishi Logistics Corporation

Number of years in office as director
1

Attendance at meetings (FY2020)

Board of Directors: 9/9 (100%)

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

Keiko Takegawa

Outside Director



Outside Independent

Significant concurrent posts at other companies

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

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

Number of years in office as director
Newly appointed

Attendance at meetings (FY2020)

—

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

Audit & Supervisory Board Members

Haruyuki Iwata

Standing Audit & Supervisory Board Member



Significant concurrent posts at other companies

None

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

3

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

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

Midori Ito

Standing Audit & Supervisory Board Member



Significant concurrent posts at other companies

None

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

Newly appointed

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

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

Takashi Kobayashi

Outside Audit & Supervisory Board Member



Outside Independent

Significant concurrent posts at other companies

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

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

4

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

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

Hisako Makimura

Outside Audit & Supervisory Board Member



Outside Independent

Significant concurrent posts at other companies

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

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

3

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

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

Ryuichi Tsuruta

Outside Audit & Supervisory Board Member



Outside Independent

Significant concurrent posts at other companies

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

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

3

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

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

Yoritomo Wada

Outside Audit & Supervisory Board Member



Outside Independent

Significant concurrent posts at other companies

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

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

1

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

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

Two Outside Directors Share Their Views





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

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

Dialogue



Toshifumi Kitazawa
Outside Director

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

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

Tanaka: I never had a business relationship with Sekisui House, so my only image of it was from television commercials. Most of what I know I have learned since becoming an outside director. I think the Company has a solid foundation and a core earnings base, as well as the technologies, strong sales force and other factors required to support them.

Sekisui House is also a very open company. The Company is good about sharing information with outside directors, its support system is accommodating, and people take my remarks seriously at meetings, even when I think I may have overstepped my bounds.

Kitazawa: I had dealings with Sekisui House for many years and saw it as a company that strives to provide the pleasant, comfortable housing it features in its TV commercials. Since becoming an outside director, I have received official explanations of the Company, toured various facilities and engaged in discussions at Board of Directors meetings and elsewhere. All of that has convinced me that Sekisui House is making a serious effort to

provide something of value to its customers. One thing that strikes me in particular is the high level of motivation of its employees in terms of both technology and customer service. Employees are closely attuned to customers and respond to their various requests in a straightforward manner.

Society is changing rapidly, so the issues companies must address will become even more complex. Under these circumstances, Sekisui House's management team is speedily and aggressively conducting governance reforms. The Company has also established a specialized department called the Office of Directors to proactively provide outside directors with various kinds of support, including the provision of detailed management

Two Outside Directors Share Their Views



information. I sense a strong will within the Company to work together with society to make Sekisui House even better.

Various issues need to be resolved, but I think first it is important to further deepen the governance reforms that are currently underway and to extend them throughout the Sekisui House Group. Using these reforms as a base, the Company also needs to do more in pursuit of various sustainable growth strategies. For example, aside from customers who have purchased the Company's detached houses or condominiums, there are also many customers throughout Japan using Sekisui House's rental housing, of which Sha Maison is representative. Making greater use

of digital technology to enhance contact with such customers can be a key growth strategy. Moreover, Sekisui House's technology for pre-engineered production of high-quality, comfortable houses that use photovoltaic power generation and other eco-friendly methods means it has the potential to further expand its business overseas as well as in Japan. Going forward, it is important that it develops human resources capable of managing these overseas businesses.

Tanaka: To maintain its solid business model and core earnings base, Sekisui House must ensure that no differences in the level of commitment to the Company's stance arise between Japan and overseas, or between the parent company and Group companies. With its easily comprehensible and ambitious vision, the management team's commitment to and sense of urgency with regard to reaching its goal of becoming a leader in ESG management are impressive, but the total transformation of a company cannot be accomplished overnight. Instilling a common philosophy and goals in every workplace is difficult. Corporate governance simply means conducting quality control for management. I think a major role for outside directors is to assist in the adoption of the Company's philosophy and goals in every workplace in Japan and overseas.

Q. What is expected of you as outside directors, and what are you focusing on to meet those expectations?

Tanaka: From my first meeting with the management team, they have stressed their goal of becoming a leader in ESG management and their emphasis on integrity. Of course, providing happiness and

satisfaction to shareholders and other stakeholders in profitable ways is a must, but I was very impressed that management had clearly identified ESG management and integrity as their priority. They told me that they had nothing to hide, so they would show me all the workings of the Company.

In addition to Board of Directors meetings, outside officers are free to participate in every Management Meeting, to listen to all the topics and to give their opinions. I am a member of the Personnel Affairs and Remuneration Committee, where I can participate in honest and open discussions. The very first thing I was told about their goal of becoming a leader in ESG management and the



Two Outside Directors Share Their Views

emphasis on integrity—that they have nothing to hide—was no lie: Having nothing to hide is the result of the internal management team’s crisis mentality, which I felt supported them in expediting reforms and getting things done.

Therefore, I believe the role of outside directors is to contribute to governance, or as I called it, “quality control of management,” by talking openly about issues without pulling any punches and collaborating in their resolution. Execution is of course important, but ensuring transparency and accountability is also crucial. Outside directors also ask various questions and make suggestions on how to communicate with stakeholders to gain their understanding and build a framework to win their support for this positive trend. Slowly but steadily, the Company’s governance is evolving.

Kitazawa: When I was asked to become an outside director, I was told “We are conducting major reforms to become a better company. We want to cultivate a vibrant corporate culture with love of humanity at its core. To that end, we need advice from people from outside the Company who possess various types of experience.” I am a total amateur regarding housing, but I took on the role of outside director with the intention of meeting the Company’s expectations based on my various experiences as a manager. The Company is very open. It provides detailed management information and internal materials. I take the Company’s sincere attitude and expectations seriously and respond with determination as an outside director.



Q. What roles will the two of you play in management going forward?

Tanaka: Sekisui House has set forth its global vision to make home the happiest place in the world by providing high-quality housing stock that also features elements such as lifestyle design and services for eco-friendliness and health. The value of this integration of technologies, lifestyle design proposals and services has become clearer during the unprecedented crisis of the COVID-19 pandemic. What customers are looking for from high-quality housing stock—which they previously were vaguely aware of but didn’t think too hard about—is now sharply defined. The adverse circumstances of the pandemic have brought latent demands for living environments to the fore. I sense that these demands are behind the recovery trend in the Company’s business since the latter half of last year.

Kitazawa: Sekisui House has capable employees who take to heart the Company’s stance of valuing customers, and its philosophy of love of humanity has taken root throughout the Company. For Sekisui House to continue to grow sustainably, I think it is important to steadily cultivate the next generation of employees who will become the leaders of the future. To do so, the Company must boldly transfer authority regardless of gender and develop human resources by having them take on more difficult tasks. Now that the Company is making a major shift in that direction, as an outside director I intend to make a strong contribution to accelerating the process.

Tanaka: Instead of top management giving all the orders for front-line operations, the Company must change so that employees on the front lines come up with ideas on their own to increase customer satisfaction and corporate value. An important factor in making this change is helping employees grow in an open work

Two Outside Directors Share Their Views



environment. Discussions since last year at meetings of the Personnel Affairs and Remuneration Committee and the Board of Directors led to a decision to reform the executive officer system. Central to this idea was ensuring the ability to create a succession plan that firmly supports the management team. It is important that this succession plan be configured to consistently and precisely maintain an adequate pool of human resources for the current management team as well as for the managing officers and executive officers who will take charge after them. I think that in this reform of the executive officer system there was a very clear intention to create a framework for people to grow.

As for ESG management, what is required of a company changes from moment to moment. Developing human resources in-house is important for continuously responding to the changing environment and expectations and to generate sustainable results. However, the ability to flexibly recruit external talent and ensure diversity is also essential. Sekisui House has set specific targets for hiring women and promoting their advancement and has linked those targets to officer remuneration. However, to make the Company stronger and sustainable, I believe the Board of Directors, including the outside directors, must set the direction for creating an environment in which people can grow and diversity can be promoted.

Kitazawa: Generally speaking, properly addressing the changing society and diversifying customer needs requires putting more effort into research and development and proactively investing in new business fields, regardless of the industry. Therefore, a company's sound, sustainable growth and expansion of profits are vital from the perspective of not only its shareholders but all of its various stakeholders. However, expanding profits is just one measure for achieving sustainable growth, and if profit expansion becomes the main objective of management, it raises a concern about the possibility of scandals, which may hinder growth. I believe the foremost task for Sekisui House's management is to maintain its stance of continually providing better products from the customer's standpoint based on love of humanity in order to achieve continued growth 30, 50 and 100 years hence. That requires reforming the corporate culture throughout the Group so that everyone, including those at Group companies, can benefit from each other's potential.

Through ESG management, Sekisui House's management team is now actively working to make its corporate culture more dynamic to become a free and open, fully customer-oriented company based on greater transparency and a flatter organization. The Company will continue to develop and provide high-quality, eco-friendly housing, but this is not the only goal of ESG management. We are also aiming for the growth of employees through a solid commitment to addressing various social issues, further enhancement of workplace diversity, and aggressive promotion of governance reforms. In FY2021, the major initiative of ESG management will become firmly entrenched within the Company,



Two Outside Directors Share Their Views

which will then face the challenge of seeing whether it can also thoroughly implement such management at all Group companies. I intend to closely monitor this point as an outside director.

Tanaka: I will become Representative Director, Executive Vice President and Executive Officer this fiscal year. As a director, I will try to keep in mind how Sekisui House's culture and usual methods differ from the rest of the industry—in a good sense. I intend to continually ask what is truly best for the Company. On the other hand, as an executive officer, I will shift to the position of answering questions and putting plans into action. My first priority will be to make this an organization that helps people grow. My second priority will be to ensure that the Company's principles and philosophy are thoroughly understood and adopted by every workplace, including at Group companies. My third priority will be a methodical overseas rollout of Sekisui House's excellent domestic business model and profit base. The Board of Directors must set the direction, but it is the role of executives to keep things on course through their daily actions. I intend to carry this out speedily.

Kitazawa: Two of the four outside directors in FY2021, are newly appointed and possess extensive experience in their respective fields. I would like to start out by improving communication among all four of us to successfully combine our respective areas of expertise and work to further enhance the governance function of Sekisui House.

Because Japan's population is forecast to continue declining, it is commonly thought that the housing industry will also decline going forward, with no expectations for growth. Admittedly, there may be a limit to the increase in the number of houses built, but I believe

that as our society matures, customers' needs for truly comfortable housing are sure to grow. If Sekisui House continues to proactively provide high-quality, comfortable housing, it will certainly be able to grow by responding to these needs. Moreover, country, region and culture have a significant impact on housing, but Sekisui House's strengths lie in the pre-engineered production of high-quality, comfortable housing, so I think the Company will earn an even higher reputation in the future, not just in Japan but in the United States

and Europe as well. If it does, it will be able to provide housing to more customers, and in so doing maintain its ability to grow.

I hope that all Sekisui House employees and all members of the Sekisui House Group gain greater confidence for further growth and combine their capabilities to provide even more comfortable and pleasant housing. I also ask for shareholders understanding and support for Sekisui House's stance.

