

Briefing on Integrated Report 2021

Sekisui House, Ltd.
July 27, 2021



**Integrated
Report 2021**

For the year ended January 31, 2021

SEKISUI HOUSE, LTD.

Presentations

Session 1 (11:00 to 12:00)

1. Key Points of Integrated Report 2021

Yosuke Horiuchi
Representative Director, Vice Chairman & Executive Officer

2. Value Creation Process and Material Issues

3. G: Progress of Governance Reforms and Remuneration System for Officers

Atsushi Yoshida
Executive Officer, Chief Manager of Investor Relations Department

Session 2 (13:00 to 14:30)

1. ESG Management Promotion Themes and Promotion Structure

Haruhiko Toyoda
Managing Officer, General Manager of ESG Management Promotion Headquarters

2. E: TCFD Report and Measures to Achieve Carbon Neutrality

Toshiya Chikada
Executive Officer, Chief Manager of Environment Improving Department

3. S: A Human Resources Strategy to Sustain the World's Happiest Company and Aims of the Ikumen Leave Program and Program Utilization

Miwa Yamada
Executive Officer, Chief Manager of Diversity and Inclusion Promotion Department

Key Points of Integrated Report 2021

Becoming a Leader in ESG Management

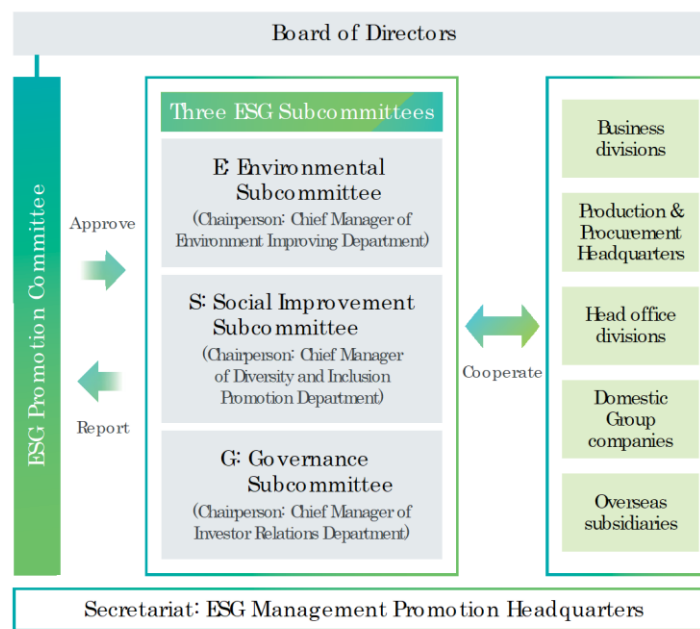
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The Sekisui House Global Vision



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ESG Management Promotion Structure



March 2020 Announcement of Global Vision

- A declaration of our aim to become a leading company in ESG management

July 2020 Established ESG Promotion Committee under the control of the Board of Directors





- Two outside experts (outside committee member) also participate in committee meetings during which opinions are exchanged and lively discussions are held from diverse perspectives.

Discussions are held during committee meetings and Board of Directors meetings during which the Value Creation Process is clarified and material issues are reviewed.

Integrated Report 2021 Editorial Policy

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Communication Overview

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

Scope of Report

Sekisui House, Ltd. and its consolidated subsidiaries

Period Covered

February 1, 2020 to January 31, 2021

Some information from before and/or after this period is included.

Reference Guidelines

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

Editorial Policy

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

Note on Forward-Looking Statements

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

Clarification of the the significance of both the Integrated Report and Sustainability Report

Features of Integrated Report 2021

- In accordance with the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC), the report was created primarily for institutional investors and shareholders.
- Clarification of the Value Creation Process
- Incorporation of the TCFD Report
- Comprehensive explanations of strategies for each business and management foundation from an approach that integrates ESG

Features of Sustainability Report 2021

- Comprehensive disclosure of ESG (non-financial) information
- Commitment of CEO and ESG officers to ESG management practices
- Report for the year that provides detailed information on Sekisui House Group's material issues, KPIs, and initiatives
- ESG data section

Overview and Structure of Integrated Report 2021

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Value Creation Story

- 1 Business Portfolio
- 2 Key Concepts for Understanding Sekisui House
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Session 1

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Session 1

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Value Creation Process and Material Issues

Sekisui House's Operating Environment

Megatrends

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

Risks

- Increasingly severe natural disasters
- Pandemics
- Population decline

Opportunities

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

Inputs (Management Resources)

Ensuring healthy finances and investment (financial capital)

D/E ratio of 0.42

Investment in real estate of ¥1,650 billion

Production/distribution bases (manufacturing capital)

5 factories in Japan

40 distribution bases

R&D bases (intellectual capital)

Comprehensive Housing R&D Institute, Human Life
R&D Institute and Sumufumulab

Diverse human resources (human capital)

236 female employees in managerial positions

3,283 first-class architects

Customer base/construction capabilities (social/relationship capital)

Cumulative 2.5 million dwellings built

About 2,600 partner building contractors

Renewable energy/resources (natural capital)

Sekisui House Owner Denki
Resource Recycling Center

Business Enhancements and Outputs

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



Core Competencies

➡ Pages 20-21



Mid-Term Management Plan

Corporate Governance

OUTCOMES

(Value created from material issues)

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

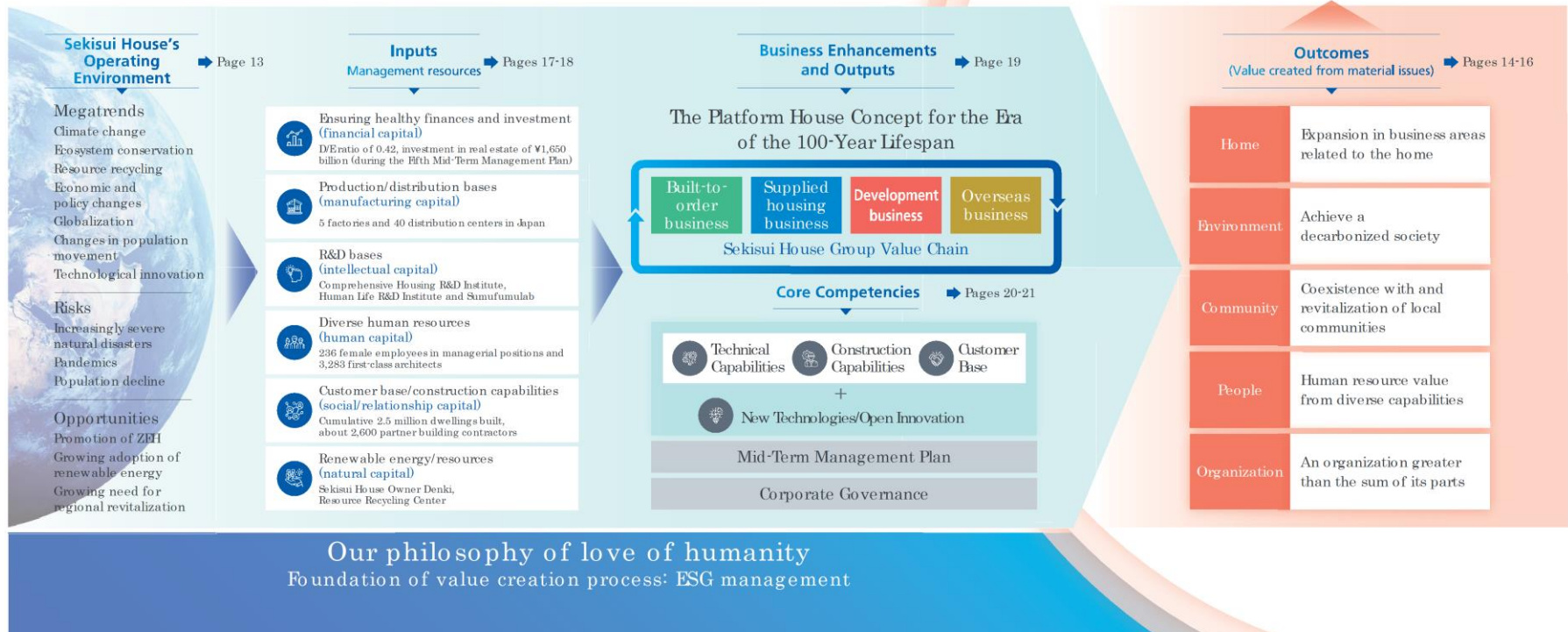


Value Creation Process

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Value Creation Process

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



Material Issues

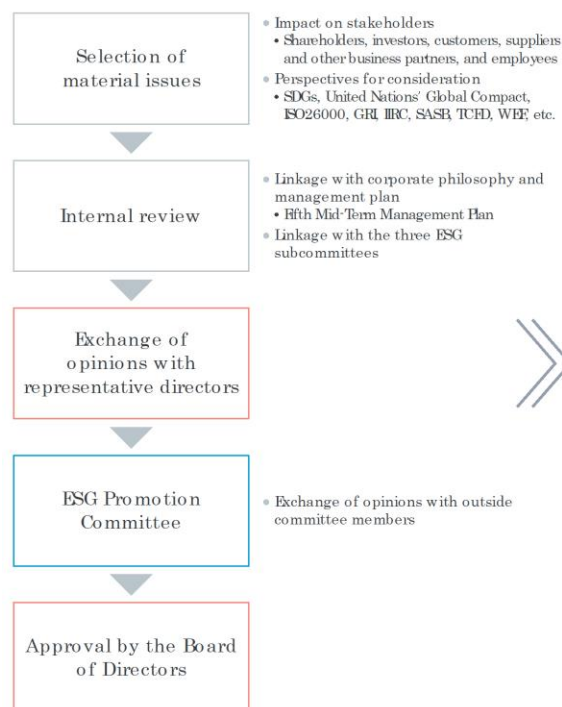
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Material Issues

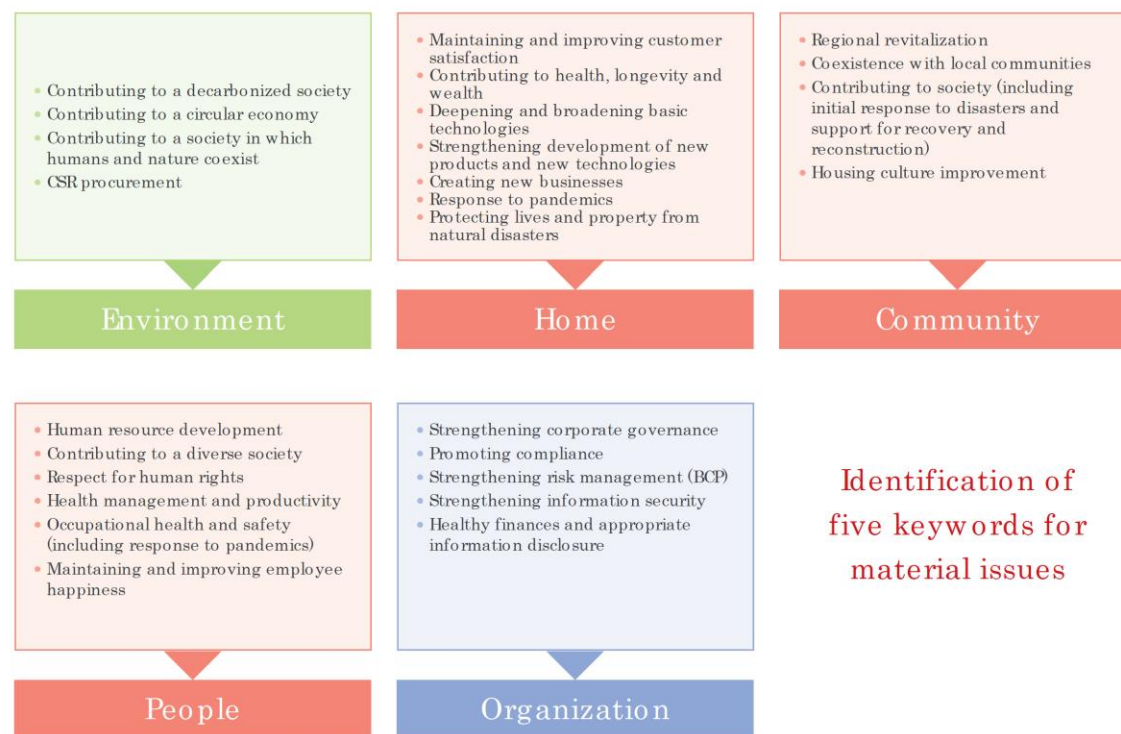
The Sekisui House Group has identified five material issues that are important to stakeholders and through which it has a significant impact on the economy, the environment and people. Following here are our initiatives for addressing these issues.

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

Process for Identifying Material Issues



Material Issues



Addressing Material Issues

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Addressing Material Issues

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

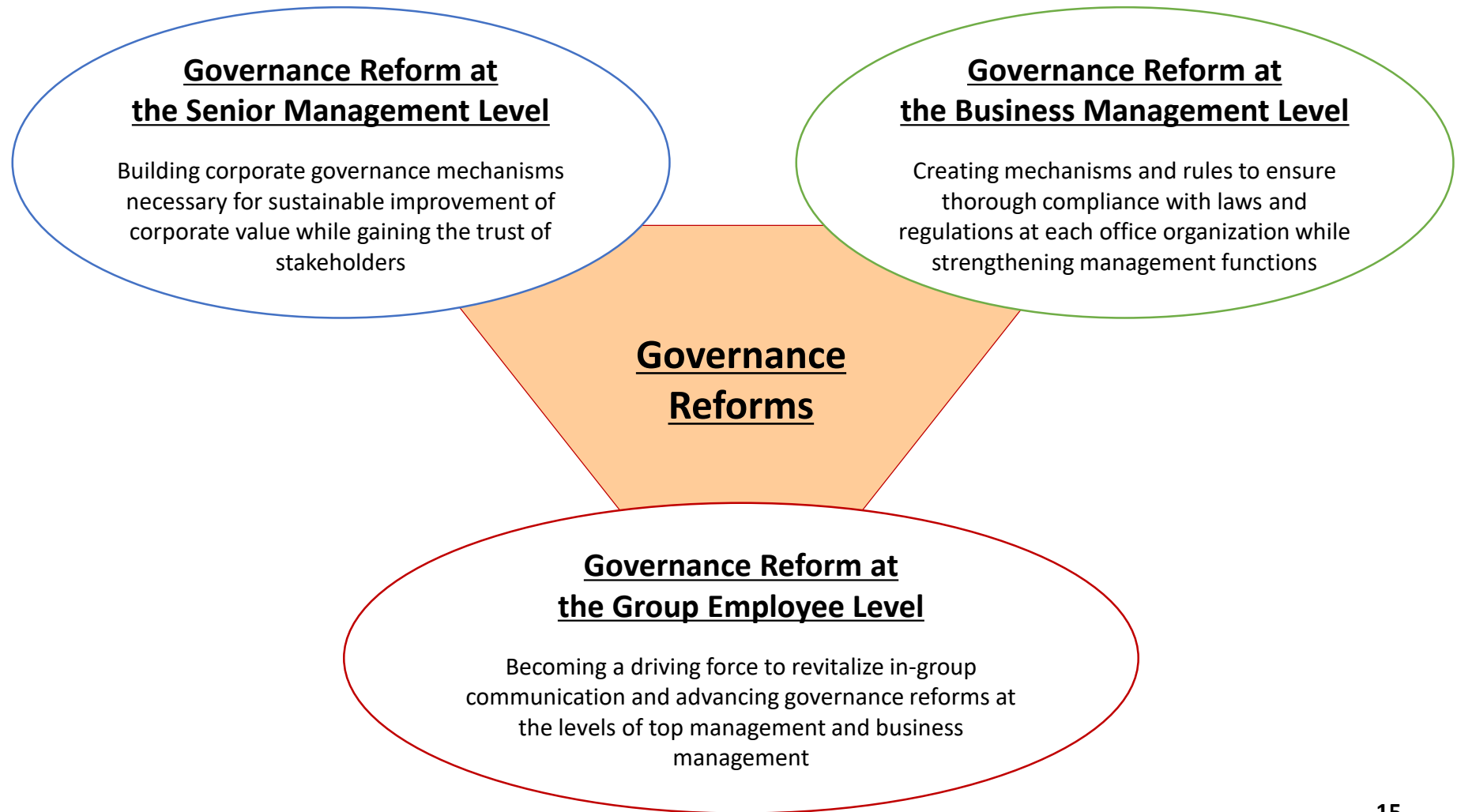
As the foremost supplier of homes in the world, the Sekisui House Group believes it has a responsibility—and the capability—to make home the happiest place in the world. Sincerely committed to contributing to people's happiness through our housing and businesses, we have established

“Make home the happiest place in the world”

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



Progress of Governance Reforms and Remuneration System for Officers



■ Strengthening the Effectiveness of the Personnel Affairs and Remuneration Committee

P.87

- Reviewed committee structure after the General Meeting of Shareholders in April 2020
 - Independent outside director was appointed as chairperson
 - The majority of committee members was made independent outside directors
- Current Committee Members
 - Chairperson: Yukiko Yoshimaru (Outside Director)
 - Committee Members: Yoshihiro Nakai, Satoshi Tanaka (Internal directors)
Yukiko Yoshimaru, Toshifumi Kitazawa,
Keiko Takegawa (Outside directors)

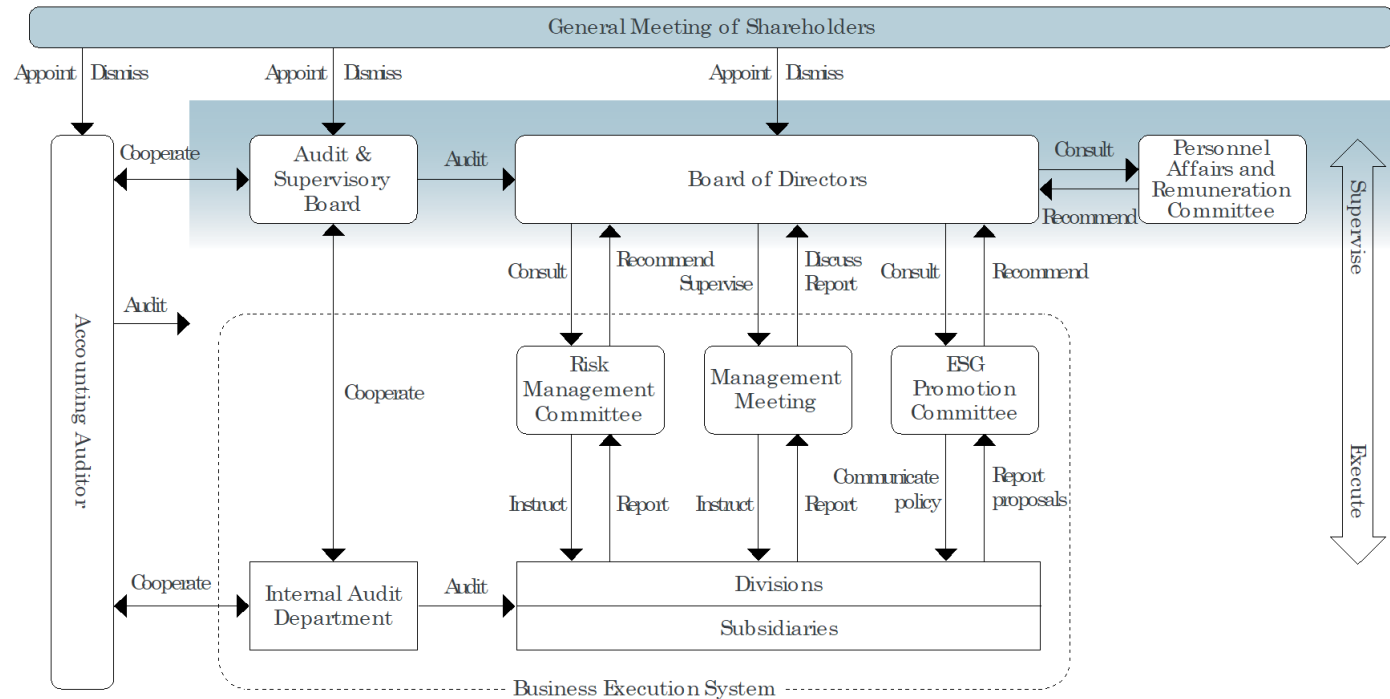
■ Priorities for the Personnel Affairs and Remuneration Committee

- (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) Human resource development of senior management

Clarification of the Functions and Structure of the Board of Directors

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Corporate Governance System (As of April 28, 2021)



Moderate separation of management supervisory and business execution functions

- Functions of the Board of Directors
Formulation of medium-to-long-term management strategies and plans, and management supervision
- Promotion of the delegation of authority for short-term and segment-level business execution

Changes in the Structures of the Board of Directors and Audit & Supervisory Board

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	Directors (Outside directors)	Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	Ratio of independent outside directors	Ratio of outside officers	Ratio of female officers
2008	14 (1)	4 (2)	7.1%	16.7%	—
2009	13 (1)	5 (3)	7.7%	22.2%	—
2012	11 (2)	5 (3)	18.2%	31.3%	—
2018	11 (3)	6 (4)	27.3%	41.2%	11.7%
2020	12 (4)	6 (4)	33.3%	44.4%	11.1%
2021	10 (4)	6 (4)	40.0%	50.0%	31.3%

Reorganization of the Skill Matrix

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Perspectives used as a basis for selecting director candidates

- (1) **Becoming a Leader 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:** Experience and management-based accomplishments in the consumer service sector
- (3) **Aim to make Sekisui House technologies the global de facto standard:** Understanding of and accomplishments in promoting innovation and the global operating environment

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 operating environment, we need directors with management experience and a proven track record in housing, construction and urban redevelopment. In addition, <u>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.</u>
Overseas Business International knowledge	In order to formulate growth strategies and provide management supervision for our overseas business, which is a growth segment, <u>we need directors with extensive knowledge of and experience in overseas business management, living, culture and operating environments.</u>
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, <u>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.</u>
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, <u>we need directors with a track record of promoting various innovations, and sound knowledge and experience in technology, quality and the environment.</u>
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. <u>To achieve this, we need directors with solid knowledge and experience in human resource development, including the promotion of diversity.</u>
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, <u>we need directors with solid knowledge and experience in corporate governance, risk management and compliance.</u>

Reform of the Executive Officer System and Human Resource Development of Senior Management

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Division	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.	
	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	Yoshihiro Nakai	Hiroshi Shinozaki	7 officers	11 officers
Division of Supplied Housing Business	Kunpei Nishida			
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 Mium	Kohei Joki	6 officers	5 officers

Clarification of roles, personnel requirements, and the appointment and dismissal process for each level through executive officer system reform

- Visualization of training conditions in six divisions by four officer types
- Ensuring opportunities for monitoring of senior management personnel by having outside officers observe management meetings, ESG Promotion Committee meetings, etc.

Remuneration System for Officers

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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
	Medium-term	Performance share units (PSU)	ROE and ESG management indicators
	Long-term	Restricted stock remuneration (RS)	—

April 2020

Fundamental revision of remuneration system for officers

- Composition of remuneration
 - Fixed basic remuneration
 - Short-term performance-related bonuses
 - Medium-term performance-related stock remuneration
 - Long-term restricted stock remuneration
- Clarification of KPIs
 - Bonus: Consolidated ordinary income
 - PSU: ROE and ESG management indicators

Composition of Remuneration (Image)

Remuneration Composition Ratio ¹	Basic Remuneration: Approx. 33%	Performance-Related		
		Short-Term	Medium-Term	Long-Term
		Performance-Related Bonuses: Approx. 33%	Performance-Related Stock Remuneration	Restricted Stock Remuneration
			Approx. 33% ²	
Payment Form	Cash		Stock + Cash ³	Stock

Remuneration System for Officers and Improvement of Transparency (Information Disclosure)

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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	

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

Disclosure of ESG management indicator (PSU KPIs) items and numerical targets

Disclosure of remuneration data for each individual director

Progress of Governance Reform (FY2018 to FY2019)

	FY2018	FY2019
Introduction of a mandatory retirement age of 70 for representative directors	➤ Resolved at the meeting of Board of Directors in Mar. 2018	
Appointment of women as External Directors	➤ Approved at the General Meeting of Shareholders in Apr. 2018 (Elected one female external director and one female external corporate auditor)	
Transparency and invigoration of Board of Director meeting operations	➤ Resolved at the meeting of Board of Directors in Feb. 2018 (Separation of the chairman of the Board and the convener)	
Establishment of the Management Meeting	➤ Resolved at the meeting of Board of Directors in Feb. 2018 (held 8 times in FY2018, held 10 times in FY2019, held 8 times in FY2020)	
Clarification of Directors Responsibilities for Each Department	➤ Resolved at the meeting of Board of Directors in Mar. 2018 (Structural reform in Apr. 2018)	
Evaluation of the Efficacy of the Board of Director	➤ Resolved at the meeting of Board of Directors in Mar. 2018 (Conduct a survey once a year. A third-party assessment company conducted a survey and individual interviews in FY2019)	
Reform of the approval system	➤ From Jun. 2018 (Clarification of the department responsible for the review, introduction of an electronic approval system)	
Ensuring independence and strengthening internal checks of chief managers in charge of general affairs in sales administration headquarters and branches (Building a governance network involving Group companies)	➤ Started from Nov. 2018 (Provided training for those in charge of general affairs, Reviewed process of team and personnel evaluation)	
Improving the integrity of branch managers Expand the scope of the Integrity Management training	➤ Started from Nov. 2018 (Launched Sekisui House Management School (program to cultivate and select future branch managers). Expand the scope of the Integrity Management training to Head office employees, Group officers in Aug. 2020)	
Next Generation managers / Development of Future Leaders		➤ Started from Oct. 2019 (SHINE! Challenge Program, training to cultivate young human resources)
Introduced restricted stock into the system of compensation		➤ Approved at the General Meeting of Shareholders in Apr. 2019 (Paid in Jun. 2019)
Elimination of the officer bonus system for outside directors		➤ Approved at the General Meeting of Shareholders in Apr. 2019
Review of the term of office of directors		➤ Policy resolved at the meeting of Board of Directors in Sep. 2019 (Introduced in Apr. 2020)
Abolish the Advisor / Advisory system		➤ Policy resolved at the meeting of Board of Directors in Sep. 2019 (Introduced in Apr. 2020)

Progress of Governance Reform (FY2020)

	FY2020
Fundamental revision of the executive compensation system	➤ Implemented in Apr. 2020
Introduction of guidelines for holding stock	➤ Introduced in Apr. 2020
Establishment of Stock Compensation Refund Clause (Malus and Clawback)	➤ Introduced in Apr. 2020
Development of criteria and procedures for the selection and dismissal of senior management	➤ Started from Apr. 2020
Increased Board Independence	➤ Ratio of outside directors is one-third from Apr. 2020
Development of an overseas whistleblower system	➤ Started from Jun. 2020
Establishment of the Office of the Board of Directors	➤ Established in Aug. 2020

<Latest initiatives>

Development of an overseas whistleblower system (Started from Jun. 2020)

Launched the Sekisui House Global Helpline in the US, Australia, U.K., and Singapore, which is operated by a third-party law firm.

Establishment of the Office of the Board of Directors (Established in Aug. 2020)

Organizational structure to support enhanced activities in light of the increase in the number of outside directors.

Preparation and disclosure of a Comprehensive Evaluation Report (Released in Dec. 2020)

The Company established a Comprehensive Evaluation Committee and disclosed a Comprehensive Evaluation Report to fulfill its responsibility to explain the problems with the purchase of land for condominiums to stakeholders.

At a meeting held in January 2021, the Board of Directors resolved to reexamine the recurrence prevention measures as pointed out in the Comprehensive Evaluation Report at the Risk Management Committee, provide educational trainings (to be completed by the end of FY2021) by learning a lesson from the problems, and make rotational personnel changes.

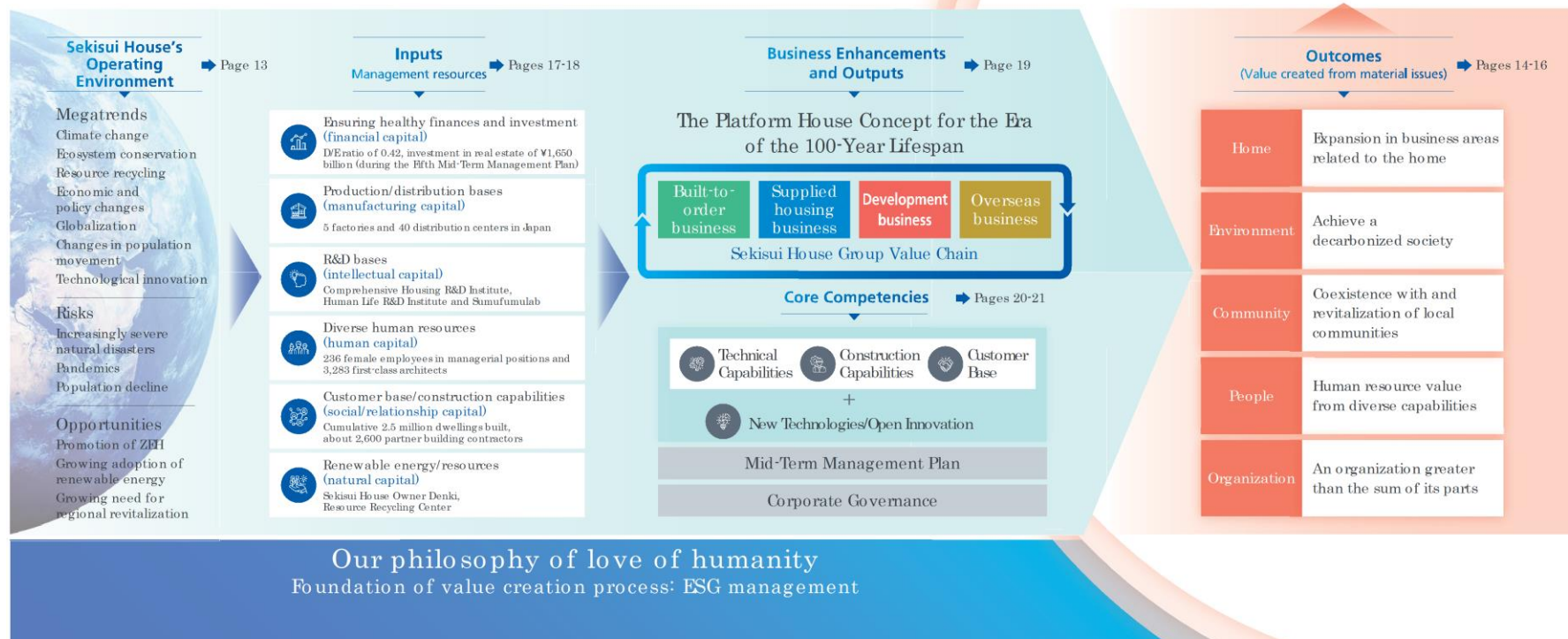
ESG Management Promotion Themes and Promotion Structure

Value Creation Process

P.12

Value Creation Process

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



Material Issues

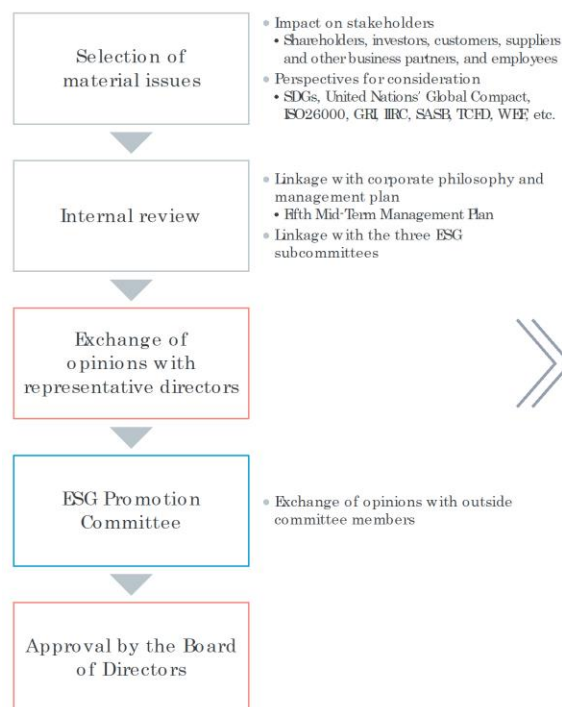
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Material Issues

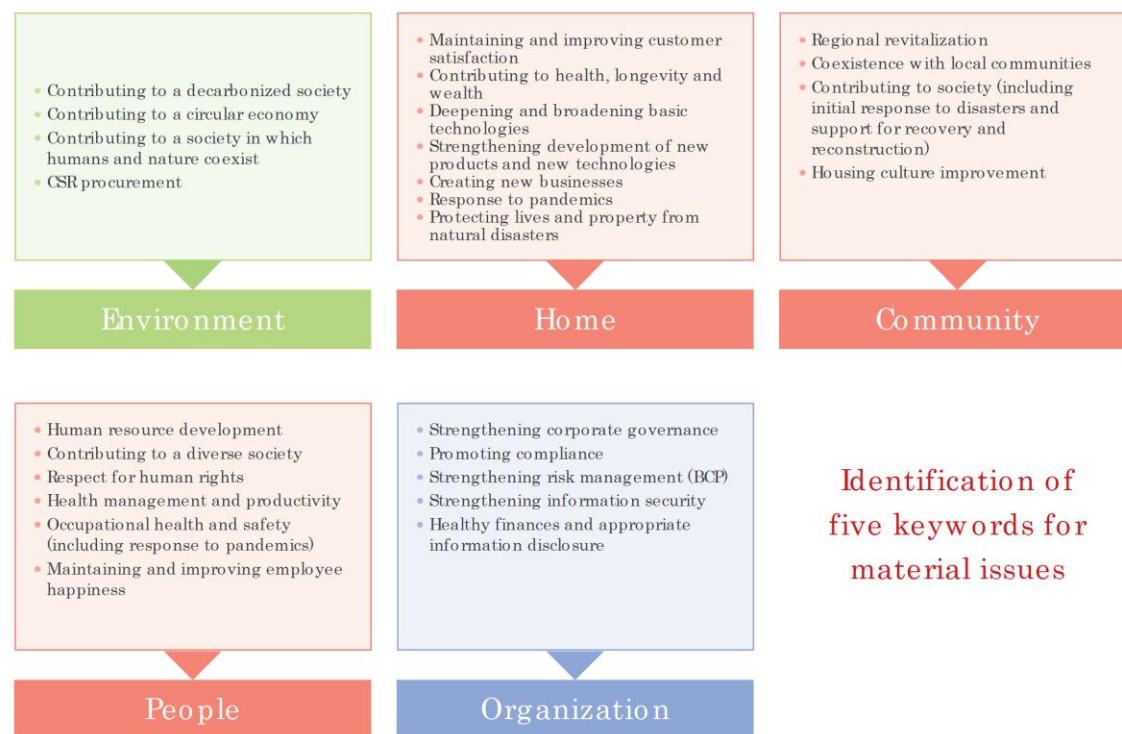
The Sekisui House Group has identified five material issues that are important to stakeholders and through which it has a significant impact on the economy, the environment and people. Following here are our initiatives for addressing these issues.

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

Process for Identifying Material Issues



Material Issues



Addressing Material Issues

P.15

Addressing Material Issues

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

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

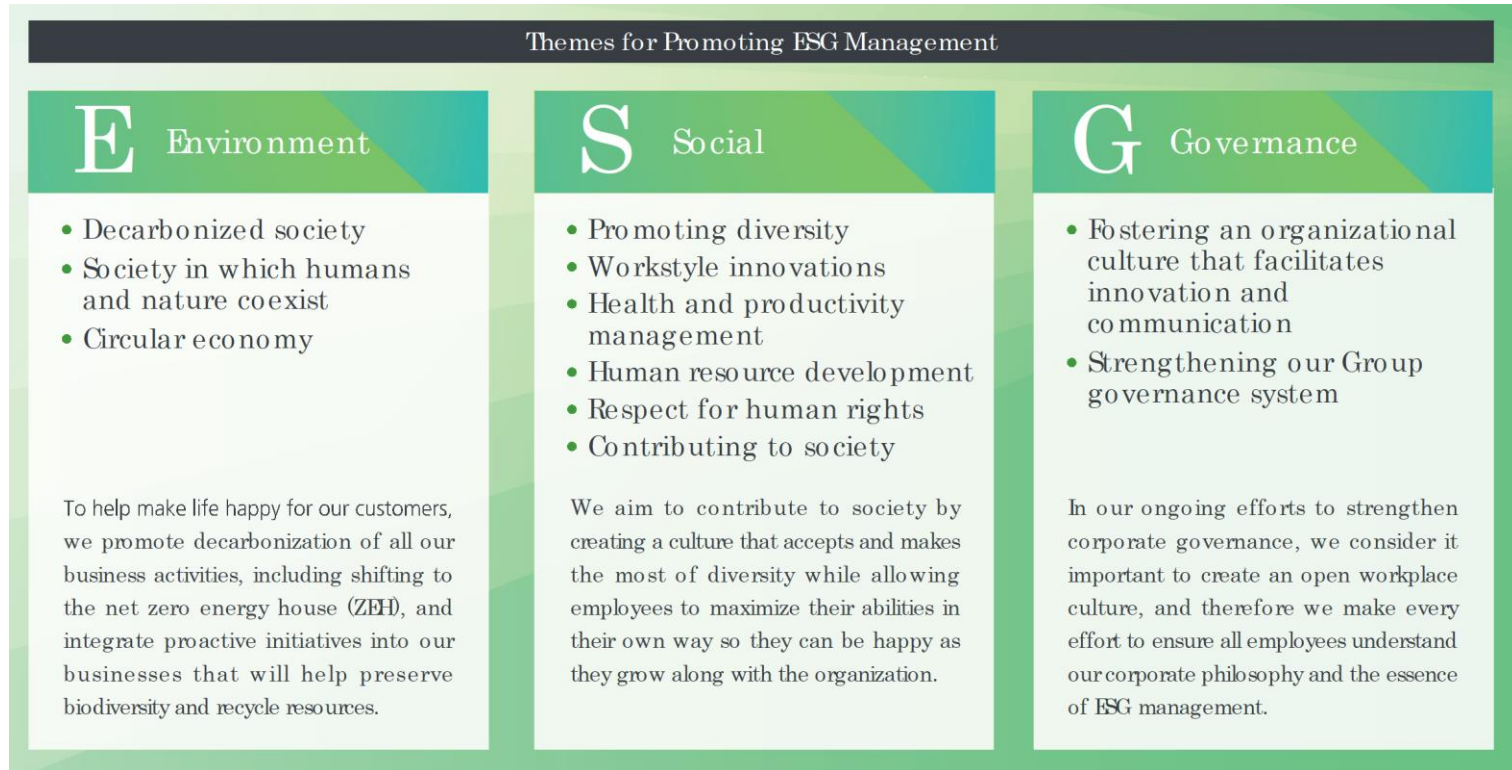
“Make home the happiest place in the world”

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



ESG Management Promotion Themes

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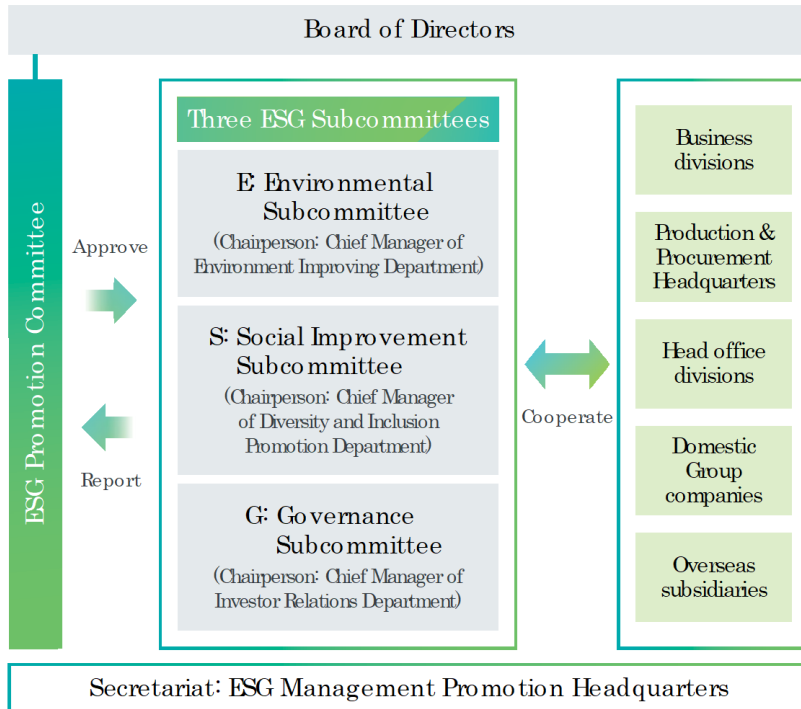


**With each of its businesses working in concert,
the Sekisui House Group will address five material issues
with aim of being a leader in ESG management.**

ESG Management Promotion Structure

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ESG Management Promotion Structure



ESG Promotion Committee

- Established under the control of the Board of Directors
Details of meetings are reported to the Board of Directors
- ESG Promotion Committee meetings are held once every three months
Evaluates and improves ESG related policies and plans
- Composition (Chairperson: Director in charge of ESG)
Outside committee members: 2
Internal committee members: 8

Essential Elements of ESG Management

We have set three themes as essential elements of ESG management: participation by all employees, forward-thinking initiatives, and improvement of our external evaluation.

Establishment of Three ESG Subcommittees

- Established three ESG subcommittees responsible for promotion that are actively involved with the ESG Promotion Committee
- The subcommittees set targets and KPIs, work in cooperation with each division, domestic Group companies, and overseas subsidiaries to implement effective initiatives.

Framework Designed to Instill ESG Management within the Group

◆ Award System Incorporating ESG Indicators

Incorporation of ESG indicators into the President's Award for workplaces

E: Leading the way to a decarbonized society and protection of ecosystems

S: Health management and employee happiness

G: Strengthening management at workplaces

◆ Conducting Dialogue on ESG

- To our employees, “home” is the company, the workplace
- Employee happiness is the foundation of ESG management
- Participation by all employees is the most crucial element of ESG management promotion

- Become aware of a chain of happiness through ESG dialogue

Theme of dialogue: How can we make employees, customers,
and society happy through our businesses?

Environment

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

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Sekisui House Key Initiatives

1999 Announced the Environmental Future Plan

“Environment is something on loan from the future and therefore should be handed back in good condition”

2008 Formulation of 2050-Year Vision

Decarbonization declaration which aims at “zero carbon emissions from housing by 2050”

2017 Joined RE100 Initiative

2018 Joined TCFD Declaration and received accreditation for SBTi

Integrating environmental initiatives with business

The more we promote our business, the more we contribute to the environment and the happier our customers will be.

Net Zero Energy Houses (ZEH)

In addition to the prevention of global warming, Net Zero Energy Houses (ZEH) offer various customer benefits such as comfort and health, reduced utility costs, and resilience in the event of power outages.

Gohon no Ki Project

An ecosystem conservation initiative that involves planting trees in gardens that grow naturally in local areas. Attracting birds, butterflies, etc. to gardens will lead to richer lives for our customers.

Net Zero Energy Houses (ZEH) Market Expansion (Detached Houses)

P.64

ZEH Detached Houses Market Progress

● Percentage of ZEH detached houses

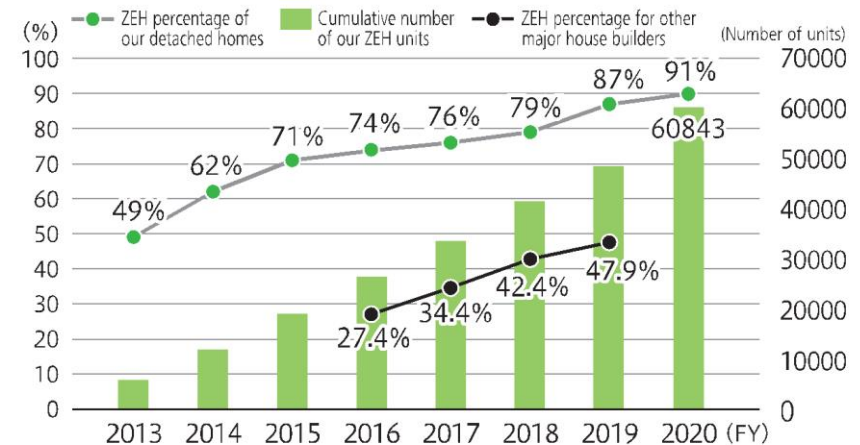
Target: 90%

Progress²: 91%

(Cumulative total of 60,843 ZEH detached houses)

- Target achieved during the first year of the Fifth Mid-Term Management Plan
- The ZEH percentage of our detached homes is much larger than the total constructed in Japan in 2019 (around 13%) and the percentage of ZEH homes constructed by major homebuilders (47.9%).
- We will strive to continue creating value for our customers through ZEH

Growth in the number of detached ZEH homes



Notes:

- Sekisui House's ZEH percentage includes sales of contracted and new construction units. The ZEH percentage for major house builders is contracted units only.
 - The ZEH percentage for major house builders is the percentage of all house builders that maintain sales offices across the country and provide standard housing.
- Source: "Direction of future consideration for further promotion of ZEH," ZEH Roadmap Follow-up Committee, March 31, 2021



The Family Suite, a spacious living area with large openings looking the garden of the Gohon no ki Project



Sekisui House proprietary tile-based solar power generation system

Net Zero Energy Houses (ZEH) Market Expansion (Rental Housing)

P.64

ZEH Rental Housing Market Progress

● ZEH rental housing units

Target: 2,500 units per year

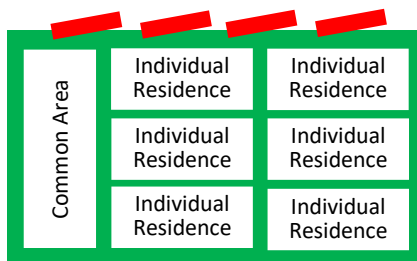
Progress³: 2,976 units

(Cumulative total of 3,806 ZEH units)

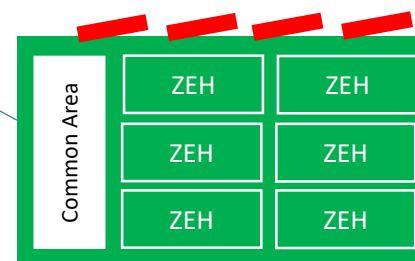
ZEH Rental Housing Progress



- Target achieved during the first year of the Fifth Mid-Term Management Plan
- There are two types of ZEH multiple-dwelling complexes. Sekisui House promotes the multiple-dwelling complex type where each individual dwelling is designed based on a ZEH concept, putting residents first.
- In addition to the comfort of ZEH type dwellings, tenants will benefit from the utility cost advantages of solar power generation, etc., and the peace of mind that electricity will be available during power outages.



Both types of dwelling complexes feature a ZEH design (ZEH-M)



For this type, Sekisui House designs each individual dwelling based on a ZEH concept

Main structure features a ZEH design

Main structure as well as each individual residence feature a ZEH design

Net Zero Energy Houses (ZEH) Market Expansion (Condominiums)

P.64

ZEH Condominium Market Progress

● Total ZEH condominium units built

Target: 540 units

Progress: 32 units

- Starting with the construction of Grande Maison Kakuozan Kikusakacho (Nagoya), a condominium building featuring all ZEH units, the first of its kind in Japan, we have constructed three 32-unit ZEH condominium buildings.
- ZEH condominium construction is moving forward as planned in order to achieve Fifth Mid-Term Management Plan targets.
- We are also currently constructing ZEH condominium towers.



Grande Maison Uemachidai The Tower PJ in Osaka City
(All units are ZEH Oriented.)



High-performance vacuum double-glazed windows are used throughout (illustration).

Promoting RE100

P.65

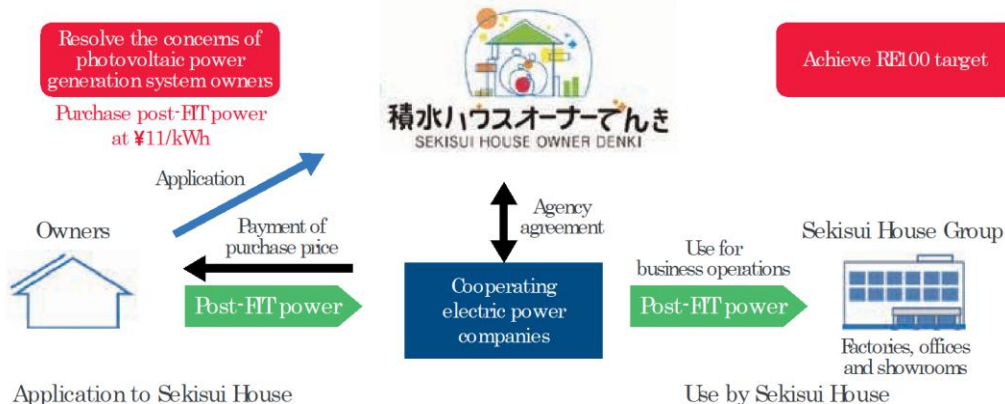
RE100 Progress

Transition to renewable energy for all
power used in business activities



- We are promoting RE100 by procuring renewable electricity from customers who provide post-FIT power and using it for our own business.
- Having received more post-FIT power applications from customers than we expected, we expect to achieve RE100 about 10 years ahead of schedule.
- Part of the initiative to improve the environment of the future together with our customers.

Overview of Sekisui House Owner Denki



2020 New Energy Awards

Director-General
of the Agency for
Natural Resources
and Energy Prize



Balancing RE100
and customer
service using
post-FIT power

Decentralized energy promotion model category

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

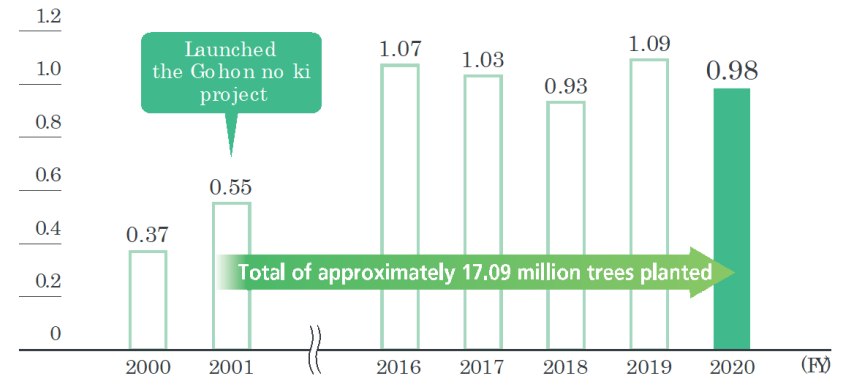
Gohon no Ki Project

P.65

- In 2001, we started the Gohon no ki landscaping project to actively utilize native tree species and create a *satoyama* network to connect gardens with regional *satoyama*.
- We are promoting our exterior construction and landscaping business in a way that finds balance between creating happy lives for our customers and conserving biodiversity in urban environments.

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

Number of trees planted per year (Million trees)



An original booklet introducing the relationship between plants and birds

自 生 域	B(△) C(△) D(△) E(△)
用 途	シンボルツリー・サブツリー・アクセントツリー
観賞ポイント	花 紅葉 実
観 賞 時 期	花は5～6月、実は9～10月、紅葉は11～12月
野 鳥 の 営 び	ヒヨドリ・メジロ・ムクドリ・オナガ(大井川以東)・カケス・コムクドリ

Digital Format



Easily access various types of information

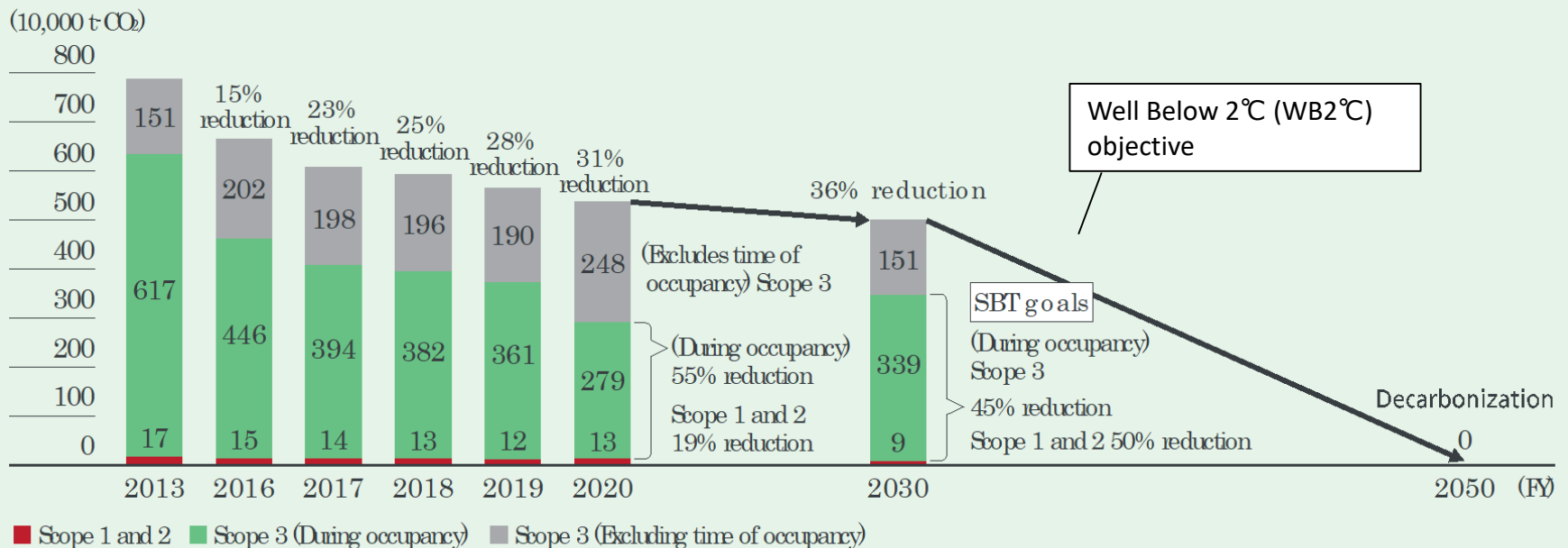


Decarbonization Progress

P.66

- At first, as a milestone toward achieving decarbonization by 2050, we are aiming to achieve 2030 SBT certification targets.
- Currently, carbon emissions are being reduced just as initially planned.
- We are considering accelerating future emission reduction efforts.

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



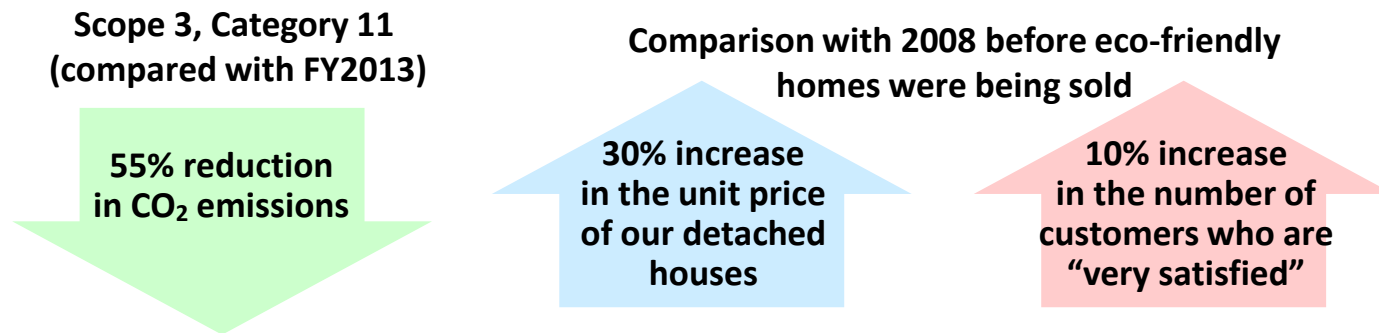
Note: Reduction rates are comparisons with FY2013.

Strategy and Governance for Addressing Climate Change

P.67

Making specific decarbonization initiatives a component of business growth

- The development of housing with high energy-saving performance will not contribute to decarbonization unless it meets consumer needs and generates sales.
- The Sekisui House Group emphasizes consumer acceptance in developing and selling such housing.



Governance

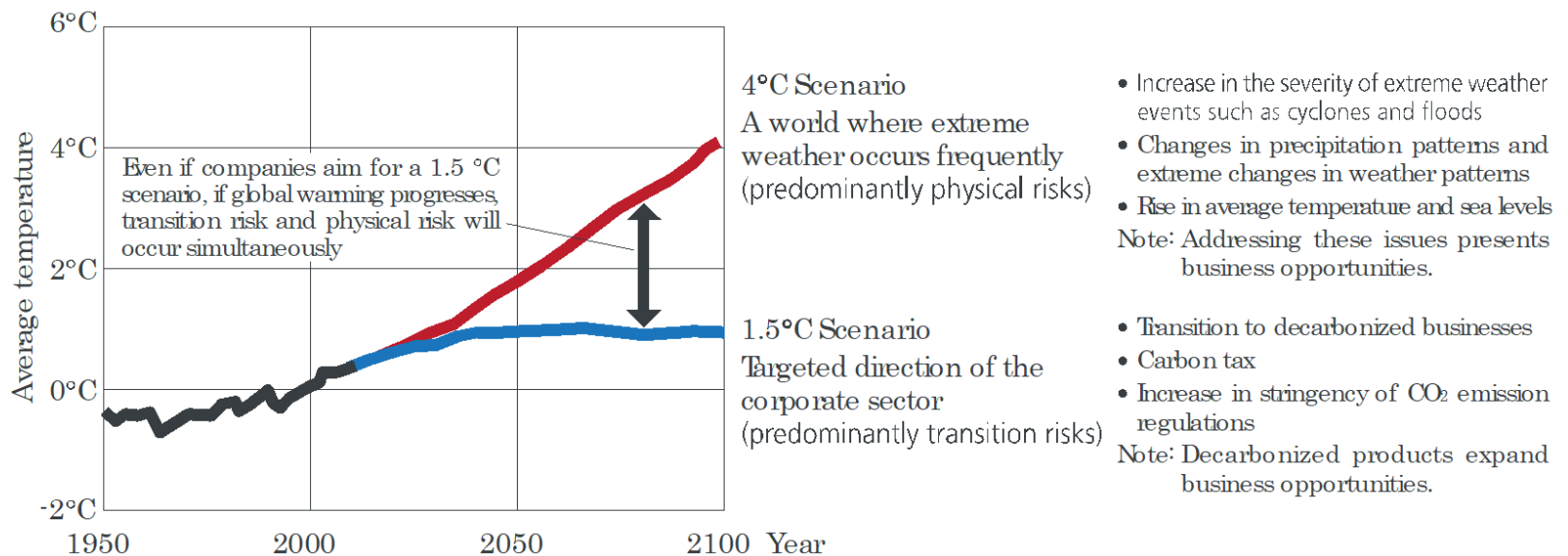
- The adequacy and progress of action policies is evaluated by the ESG Promotion Committee. Important matters are reported to the Board of Directors.
- Details of specific initiatives are examined by the Environmental Subcommittee and disseminated throughout the Group.
- The ESG initiatives are promoted by providing the directors responsible for each business and other managers with routine reports and instructions, ensuring timely monitoring and supervision.

Scenario Analysis Approaches

P.68

- We conducted an analysis using the 1.5°C and 4°C scenarios in identifying risks and opportunities that could have a significant impact on the Sekisui House Group's business.
- After looking at the possibility of the risks of a 1.5°C scenario and a 4°C scenario occurring at the same time, we believe that a risk management approach which gives consideration to both is necessary.

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



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

Main Results of Scenario Analysis

P.69

Large: ¥20 billion or more; Medium: ¥10 billion or more; Small: Less than ¥10 billion

Assumed Major Risks and Opportunities		Potential Financial Impact	
Risks	Increase in cost of greenhouse gas emissions	Group-wide initiatives to decarbonize by reducing CO ₂ emissions from business activities are about halfway complete, so the impact of a carbon tax of about ¥10,000/t-CO ₂ would be large. We plan to mitigate this impact throughout the value chain.	Large
	Increase in severity of extreme weather events such as cyclones and floods	We have already built a system to minimize construction site damage caused by disasters such as floods.	Small
	Changes in precipitation patterns and extreme changes in weather patterns	We have already addressed the risk of our factories being flooded due to river floods by conducting simulation analysis and insuring those locations against damages and losses. Other factories would provide substitute production to cover for those impacted by a disaster.	Large
	Increase in average temperature	We ensure sufficient construction periods and other measures to address the risk of delivery delays due to reduced work efficiency caused by rising temperatures at construction sites and the hazards of heat stroke.	Small
Opportunities	Use of lower-emission energy sources	We plan to achieve RE100 without purchasing Non-Fossil Certificates or incurring other additional costs. We will do this by employing our Sekisui House Owner Denki system.	Small
	Development and/or expansion of low-emission products and services	Since demand for ZEH is further increasing, as the leader in ZEH, we therefore expect ZEH sales to increase substantially.	Large
		The Sekisui House Group is Japan's leader in ZEH rental housing order volume. We expect to increase income from real estate management fees due to higher rents from the increased number of multi-unit ZEH rental buildings that we lease entirely.	Small

*Risk and opportunity categories based on Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017)
The information in the table above was partially excerpted from the Integrated Report.

1.5°C Scenario (Opportunity)

P.70-71

1. Built-to-Order Business

Custom Detached Houses

- 30% increase in unit price of our detached houses due to promotion of eco-friendly homes (ZEH) and other factors.
- This is expected to further increase in the future due to changes in the performance required of ZEH.
- ZEH houses accounted for 18% of Sekisui House noie brand orders targeting first-time buyers. By employing a TPO approach in regard to photovoltaic panels, we promote ZEH housing while taking an approach that minimizes the cost to home buyers.

Rental Housing

- We are promoting ZEH through Sha Maison rental housing. As with our detached homes, we have the best track record in Japan in ZEH rental housing.
- Despite the cost increase of about 600,000 yen per unit, many owners choose this type of rental housing because they believe it will lead to stable building management in the future.
- In a decarbonized society, ZEH rental housing will be the norm.
- The Sekisui House Group therefore wants to drive the creation of a market by quickly supplying a large volume of units, thus capturing first-mover profits in addition to addressing latent consumer demand.

1.5°C Scenario (Opportunity)

P.71-72

2. Supplied Housing Business

Remodeling

- Promotion of Idocoro Dan-netsu (location-based insulation upgrades) and installation of energy-saving equipment
- We use SumStock, a mechanism for properly evaluating the asset value of buildings, shared among major prefabricated housing manufacturers.
- Housing stock in Japan is over 50,000,000. The household sector accounts for 15.5% of Japan's total CO₂ emissions. Therefore, in order to decarbonize this sector, measures to save energy in existing housing are important.
- We are aware that there is a large opportunity for this business segment to expand in the future.

Real Estate Management Fees

- In our real estate management fees that leases entire rental buildings from their owners, rent increase leads to the improvement of business profitability in the future.
- Although Sha Maison ZEH rents have increased by about 5,000 yen a month per individual unit, all units are fully occupied. Surveys show that tenant satisfaction is high.
- The steady increase in orders for Sha-Maison ZEH is also related with the expansion of business earnings from this business.

1.5°C Scenario (Opportunity)

P.72

3. Development Business (Condominiums)

- Condominiums account for about 10% of CO₂ emissions from the household sector. As with detached houses and rentals, conversion to ZEH condominiums is necessary.
- We have built three 34-unit ZEH condominiums so far. All units have been sold.
- Benefits for residents appeal to them just as with ZEH detached homes.



Grande Maison The Motoyama in Nagoya City



Grande Maison Ohori THE APARTMENT in Fukuoka City

4. Overseas Business

- The countries and regions that we serve are moving toward decarbonized housing, as evidenced by California's mandating of higher standards for thermal insulation and the installation of photovoltaic panels for new houses. Given this trend, we foresee potential needs for ZEH, which is a specialty of the Sekisui House Group.
- We started initiatives with the aim of further expanding our business in overseas markets, including development of ZEH aligned with local conditions and introduction of pre-engineered housing technology suitable for local markets.

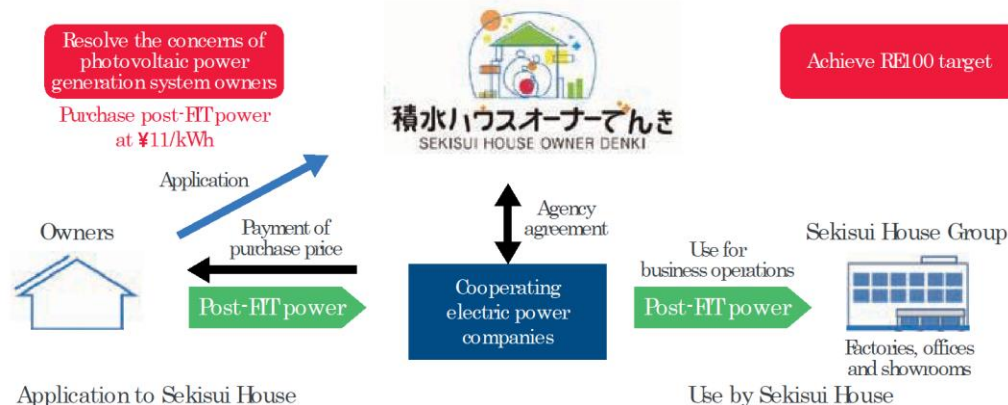
1.5°C Scenario (Opportunity)

P.73

5. Addressing RE100

- In the 1.5°C scenario, we project that there will be a strong push for the use of renewable energy to provide electricity for our business operations.
- Sekisui House Group has already responded to RE100 through its Sekisui House Owner Denki.
- Sekisui House Owner Denki eliminates expenses to achieve RE100 that we would incur without it, such as the purchase of Non-Fossil Certificates or other renewable energy certificates.
- We plan to continue purchasing post-FIT electricity after achieving RE100, and we are studying new business opportunities that would utilize the electricity generated from renewable energy that we purchase to create net zero energy towns, high-rise condominiums or other types of housing.

Overview of Sekisui House Owner Denki



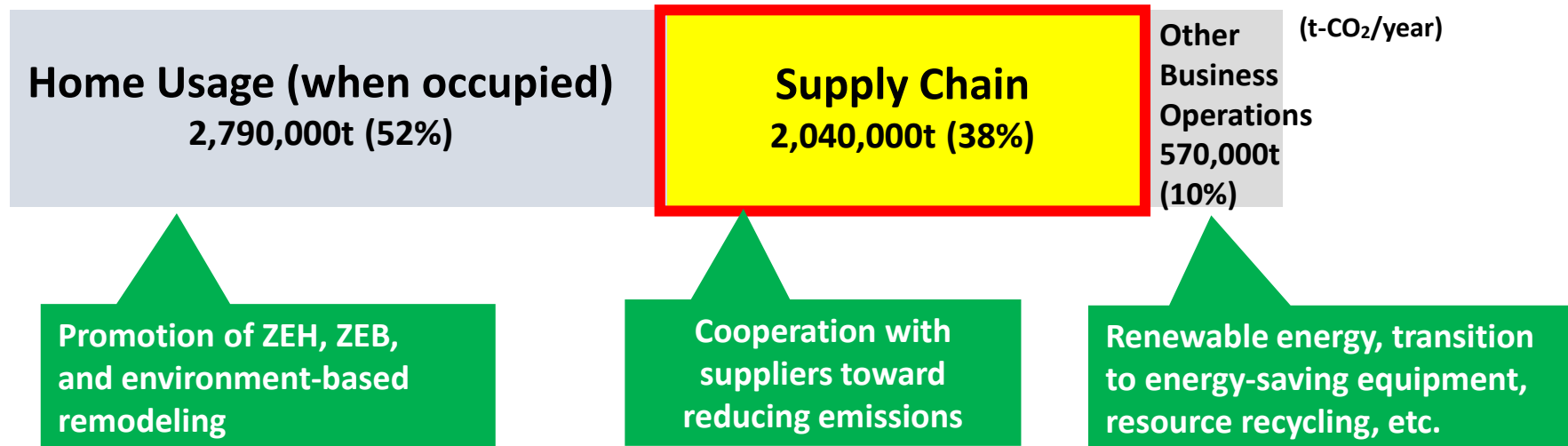
1.5°C Scenario (Risk)

P.73

Risk of Significantly Higher Carbon Emission Costs

- The biggest risk for the Sekisui House Group is a significant increase in energy costs due to the introduction of a carbon tax.
- Comprehensive promotion of the use of LEDs in offices and energy conservation in facilities
- Started efforts to decarbonize the supply chain, which is considered to have a particularly large impact.

■ Sekisui House Group CO2 Emissions in FY2020 • • • 5,400,000t-CO₂



1.5°C Scenario (Risk)

P.73

- In October 2020, we conducted a fact-finding survey of our suppliers to understand their awareness and efforts toward decarbonization.
- Based on this, we held briefing sessions in February and April 2021 with the participation of 135 and 61 suppliers, respectively, for the purpose of sharing information with suppliers and raising awareness of our efforts.
- We encourage major suppliers to acquire SBT certification.



Promote, as a KPI, the percentage of major suppliers that have set SBT targets

2020
18.6%



2030
80%

4°C Scenario (Risk)

P.74

Risk of Increasing Severity of Natural Disasters

- We have already structured a business continuity system that can address a disaster in a given area with the support of unaffected areas.
- In 2020, conducted a detailed analysis of possible factory flooding due to river floods based on the IPCC-RCP8.5 scenario. We confirmed that it was possible to respond to this through our factory insurance coverage.
- In regards to our supply chain, we are mitigating the risk by purchasing from multiple manufacturers and producing materials at multiple locations.
- Sekisui House has already made basic design changes in the housing it supplies to address the projected increase in maximum rainfall and maximum wind speed, creating highly resilient homes that are resistant to natural disasters.
- However, the impact of climate change is growing year by year, and the scale and frequency of natural disasters may increase. Therefore, the Sekisui House Group considers climate change a major risk and will continue to study how to deal with it.

4°C Scenario (Risk)

P.74-75

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

- Higher temperatures lower the efficiency of workers at construction sites, and occupational accidents such as heat stroke and financial penalties due to construction delays are projected.
- We therefore thoroughly implement basic measures to prevent heat stroke. We educate construction workers about this condition and recommend they take sufficient breaks, rehydrate appropriately, and wear hats for shade and work clothes that have built-in fans. In addition, we determine construction schedules with sufficient break time for constructions that include summer season.
- We confirmed that there is no risk of factories being submerged due to rising sea levels either in Japan or overseas.

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

- We project that the stringency of laws, regulations and policies will greatly exceed that of the 1.5°C scenario as global warming progresses and people witness enormous damage in 4°C scenario as well.
- However, in Japan the Sekisui House Group already has an outstanding record as the leader in the construction of ZEH housing that features excellent energy-saving and resilience to disasters. Since we have been promoting decarbonization throughout our businesses, even if the stringency of regulations increases, we will be the first in the housing industry to respond.

4°C Scenario (Opportunity)

P.75

- In the 4°C scenario, we expect housing damage to increase due to disasters including floods caused by large typhoons and heavy rain.



- Sekisui House Group has already enhanced the disaster resilience of its housing products, and believes that opportunities will increase for them to be selected to replace damaged buildings.
- In addition to the resilience of a building itself, we are promoting Green First Zero + R to solve issues that cannot be solved by the house itself through organizational strength.

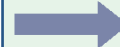
Disaster-mitigating net zero energy house

Sekisui House ZEH
Green First Zero
High earthquake resistance and self-sufficiency during disasters



Houses that protect homeowners and their families

During a disaster



Support structures for disaster recovery

Data management system for each customer's house (disaster visit app)
Sites that are self-sufficient during disasters (factories nationwide)
Distribution network



Factories, employees and partner companies that protect their local communities

Future Issues

P.76

Identification of Major Risk Factors That Have a Large Financial Impact

- Main risk factors that we should monitor as data for use in planning strategies
 - Increase in stringency of energy efficiency laws and regulations for decarbonization and increasing market needs for decarbonized housing
 - Introduction of a carbon tax by national governments
 - Standardization of ZEH outside Japan
 - Impact of increasing severity of natural disasters and rising temperatures on business continuity

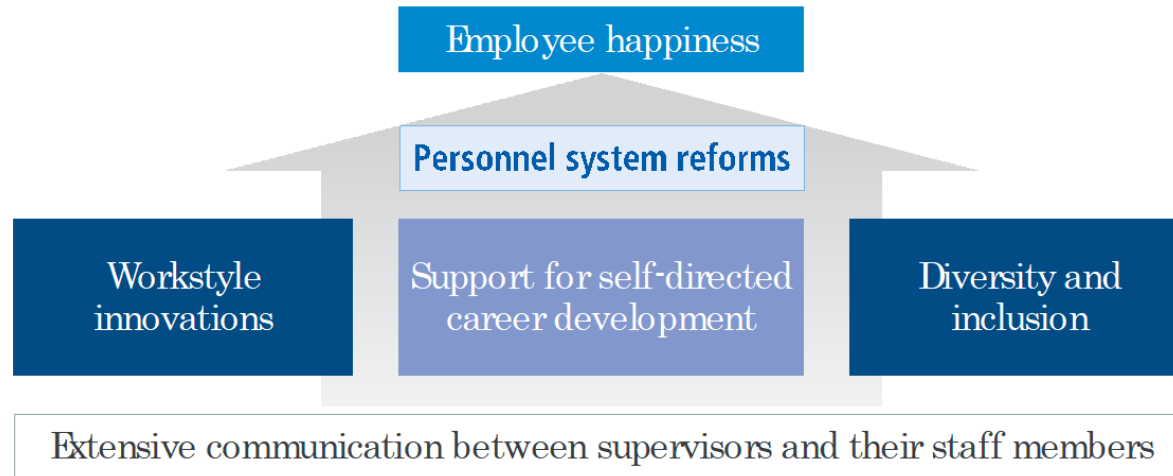
Issues to Be Addressed in the Future

- Formulation of a CO₂ emission reduction plan in the entire Sekisui House Group value chain.
 - Reduction of CO₂ emissions at construction sites
 - ❑ Reduction of gasoline consumption of the vehicles used by external construction company workers
 - ❑ Conversion to electric heavy machinery for use at construction sites
 - Reduction of CO₂ emissions associated with the manufacturing process of the materials we procure
- We will continue to incorporate the latest information on risks, further quantify risks and improve accuracy.

A Human Resources Strategy to Sustain the World's Happiest Company and Aims of the Ikumen Leave Program and Program Utilization

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

P.77



Three Pillars of Our Human Resources Strategy

(1) Diversity and inclusion

- Promotion of diversity as a business strategy
- With the establishment of the Promotion of Employment of Persons with Disabilities Office in 2020, we are working to further promote employment and expand opportunities for active participation.

(2) Workstyle innovations

- We have established a work environment and support system that help employees work enthusiastically based on a healthy balance of work and private life.

(3) Autonomous career development

- We have made 2021 the kickoff year for our personnel system reforms, introduced a highly transparent evaluation system and career interviews.

Reform of Personnel System to Support Autonomous Career Development

Sustainability Report P.84

Main features of the new system

(1) Career course selection

- Managerial position that contributes to the organization through management
- Specialist position that contributes to the organization through high-level expertise

(2) Early creation of management opportunities

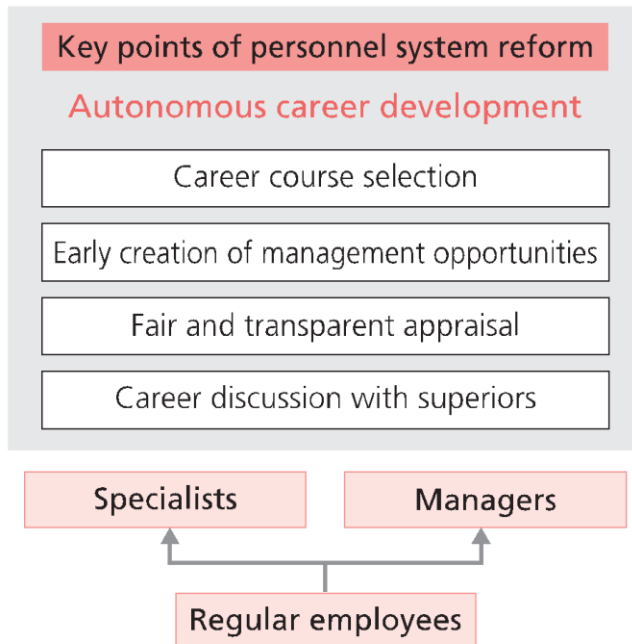
- Promotion decisions based on merit, not on age or length of stay

(3) Fair and transparent appraisal

- 100% implementation of job interviews to revitalize communication between supervisors and subordinates

(4) Career discussion with superiors

- Periodical career interview



Support for career building (uniformly implemented across different levels)

(1) Self-esteem improvement seminar (for employees in their third year at the company)

- Self-esteem: Belief and confidence in your own ability and value.

(2) Autonomous career development course (for employees in their fifth to seventh year at the company)

- This workshop aims to support employees on their journey toward becoming “independent human resources” and “professionals” who have a sense of an independent career formation.

(3) Mid-career training (for employees reaching at their 45th birthday)

- This training is intended for mid-career employees to set goals and plans for the second half of their career and support future career satisfaction.

In-house certification programs

- These programs assign roles and qualifications to outstanding employees in technical positions to encourage them to pursue even higher goals.

Chief Constructor (onsite supervisor)

Chief Architect (design)

Structural Planning Specialist (structural planning)

Platinum Specialist (design (Platinum Business))

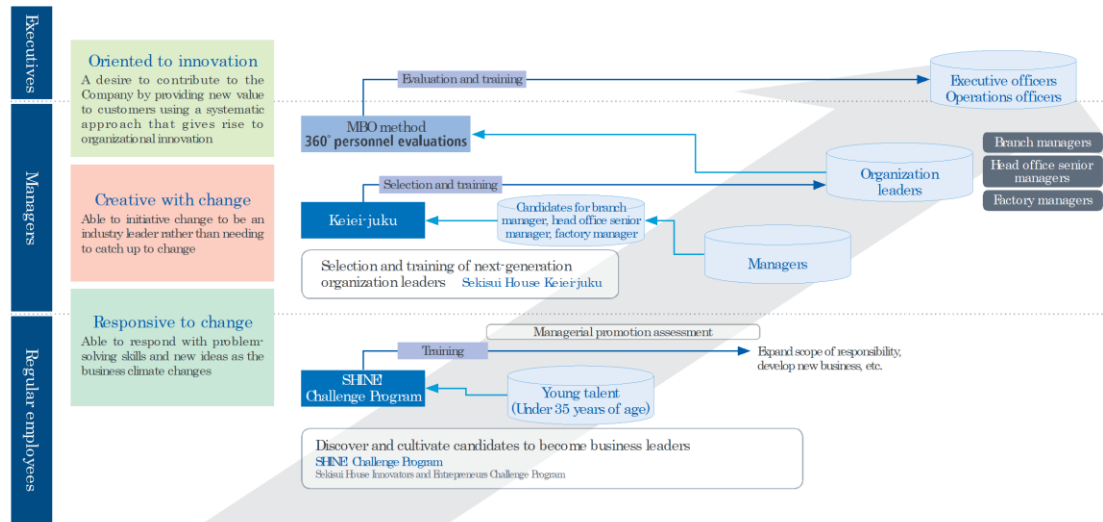
Customer Support Meister (after-sales service)

In-house recruitment system

- Career Challenge System (providing opportunities for career advancement)

Human Resources Pipeline for Cultivating the Next Generation of Business Leaders

P.78



Training of selected employees to systematically discover and cultivate next-generation business leaders

Sekisui House Keiei-juku

- A one-year program designed for training and selecting organizational leaders
- Participants take on the challenge of self-improvement to cultivate the ability to change and create, and acquire the insight, personality, management skills, and leadership skills appropriate for the next generation of organizational management.

SHINE! Challenge Program

- A nine-month program for young leader candidates aged 30 to 35
- Training to help young leader candidates envision the creation of new value for Sekisui House and actively apply for and propose ideas in innovation competitions.

Well-Being Survey that Analyzes the Correlation between Employee and Workplace Happiness

P.77

1. Individual: Diagnosis of well-being
Diagnose the multifaceted well-being of employees

2. Organization: Diagnosis of worker happiness and unhappiness
Diagnose happiness and unhappiness in the workplace

Note: Developed in July 2020

Well-Being Circle



7 Factors of Worker Happiness



7 Factors of Worker Unhappiness



Source: Persol Research and Consulting Co., Ltd. and Keio University Takashi Maeno Laboratory "Well-Being at Work Survey"

Japan's first integrated survey and analysis of individual and organizational well-being

- Measures the happiness of employees and workplaces from multiple perspectives and analyzes their correlation.
- By visualizing well-being, we can pursue the happiness of every employee.
- We will link the happiness of employees with the happiness of the entire company and with the happiness of customers and society.

Promote Diversity and Workstyle Innovation

P.79

P.80

Aim to be a leading company in ESG management

Promoting diversity = Important theme in improving social value

Policy for promoting diversity - Initiatives based on three pillars

Promoting the active participation of female employees

- Training of Managerial Candidates through Sekisui House Women's College
- Support for Active Participation by Job Type (sales and technical positions)

Active participation by diverse personnel

- Foreigners, persons with disabilities, LGBTQ, etc.

Promoting diverse workstyles and worklife balance

- Support for Balancing Work with Childcare, Nursing Care and Medical Treatment
- Promoting Smart Work
- Promoting "Happiness" Health Management



Promoting Childcare Leave by Male Employees

Overview of the Ikumen Leave Program

Starting Date	September 1, 2018 (started at Group companies on August 1, 2019)
Eligible Employees	Designed for Sekisui House Group employees who have children younger than three years old
Main Characteristics	<ul style="list-style-type: none">■ We ensure that all eligible employees take at least one month of Ikumen leave■ The first month of Ikumen leave is paid (regardless of employee gender)■ Possible to split the leave into a maximum of four periods■ Also started Ikumen Leave program for the eight weeks after childbirth in April 2021 <p>(This is an option for those who wish to take Ikumen Leave for at least one day within the eight-week postpartum period and who wish to flexibly set the number of days off in one-day units (regardless of the number of time) to suit their family circumstances within the said period.)</p>

Promoting Childcare Leave by Male Employees

Status of Ikumen Leave and Utilization Ratio (as of June 30, 2021)

Male Employees Eligible for Ikumen Leave **2,188**
(cumulative amount from start of program in September 2018)

Male employees who reached the program acquisition deadline
(since full implementation in February 2019)

984



Number of male employees who utilized the program for at least one month
984
100% Utilization Rate

Number of employees who reached the program acquisition deadline and acquisition rate

Note: The period from September 2018, when the operation started, to January 2019, was the preparation period for full leave acquisition.

	Feb. 2019 to Jan. 2020	Feb. 2020 to Jan. 2021	February	March	April	May	June	Total
Male employees who reached the program acquisition deadline	415	426	30	27	27	34	25	984
Utilization Rate (%)	100	100	100	100	100	100	100	100

Toward Ensuring that All Eligible Male Employees Take Childcare Leave

- Photo exhibition of Sekisui House employees who are fathers caring for young children



- Ikumen Forum



Events

Raise awareness

- Coordination with attendance system
- Automatic leave acquisition promotional alerts

System support

Continued awareness building



Provision of various tools

- Forums on successfully balancing work and childrearing
- Introduction of leave acquisition case examples

- Family Meeting Sheet
- Ikumen Leave Program Guide



Promoting Childcare Leave by Male Employees

The Value of “Happy” Ikumen Leave

