



# Briefing on Value Report 2022

— Our Engagement

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1. **Thoughts Behind Value Report 2022**
  2. **The Sekisui House Group Vision**
  3. **The Building of Sekisui House and New Material Issues**
  4. **Value Creation Story**
  5. **Corporate Governance of Management Foundation**
  6. **ESG Management – Initiatives for Sustainability**

# Purposes of the Briefing

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**Introduce key points of the Value Report 2022, a comprehensive report providing financial and non-financial information**

**Provide explanations on our Value Creation Story, Materiality, and clarified Vision**

**Provide information on the promotion structure and specific initiatives designed to make Sekisui House a leading company in ESG management**

**Creation of engagement opportunities that contribute to the enhancement of corporate value**

## Three Key Points

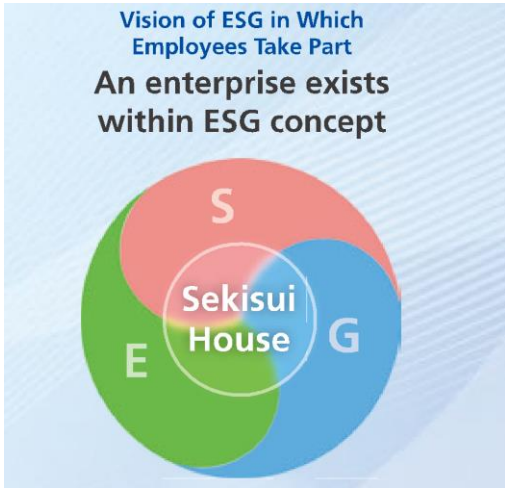
- ✓ Created **"Corporate Story"** and **reselected material issues**
- ✓ Reviewed the value creation process and **clarified the process of providing happiness to customers, society, and employees**
- ✓ Named the report "Value Report - Our Engagement" to reflect our desire to engage **in dialogue with our stakeholders**



Three elements of ESG management promotion:  
Participation of all employees, forward-thinking initiatives, and better external evaluations

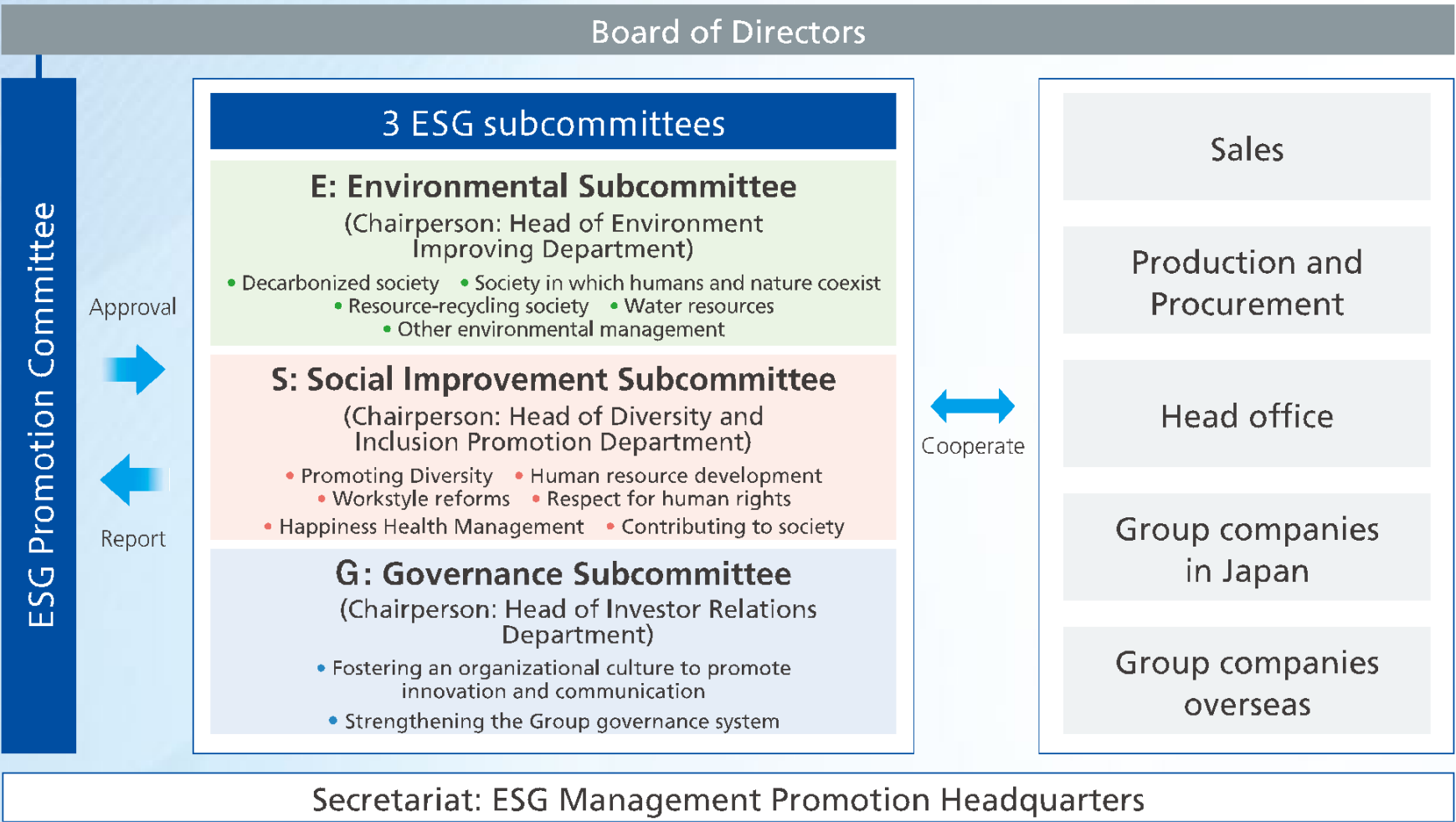


ESG Management Basics:  
The Starting Point for  
ESG Implementation



All Employees to  
Participate in ESG  
Dialogue in Order to  
Make ESG a  
Personal Matter

ESG Management Promotion Structure



**ESG Management Promotion Headquarters**

- Established in June 2020
- Plans and promotes basic ESG management policies

**ESG Promotion Committee**

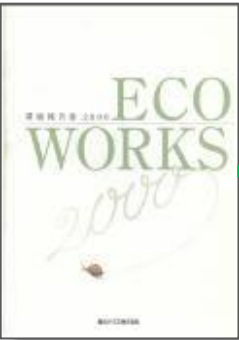
- Meets four times a year, Observed by board directors
- Two outside committee members with specialized knowledge
- After each meeting, important matters are reported to the Board of Directors

**3 ESG subcommittees**

- Sets targets and KPIs
- Checks progress/Identify issues
- Collaborate with each division and group companies

# Background: History of our Reports

2000  
ECO WORKS



1999: Announced the Environmental Future Plan  
The establishment of an environmental charter and a basic environmental guideline.  
Established Environment Improving Department

2005  
Sustainability Report



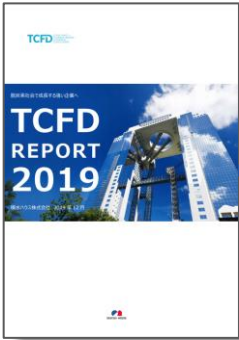
2014  
Separate Volume of Sustainability Report  
published from 2014 through 2019



2021  
Sustainability Report  
(Integration of booklet and web version)



2019  
TCFD REPORT



First in  
the industry

2020  
March: Announced SEKISUI HOUSE 30-Year Vision  
June: Established ESG Management Promotion  
Headquarters

- The Sustainability Report has a long history, published first in 2000 as "ECO WORKS"
- Selected in 2020 as a company to enter the Hall of Fame for the Environmental Reports Category at the 23rd Environmental Communication Awards (Awarded an excellence award or higher in Environmental Communication Awards for seven consecutive years, ten times in total)

「ANNUAL REPORT」

2020  
Integrated Report



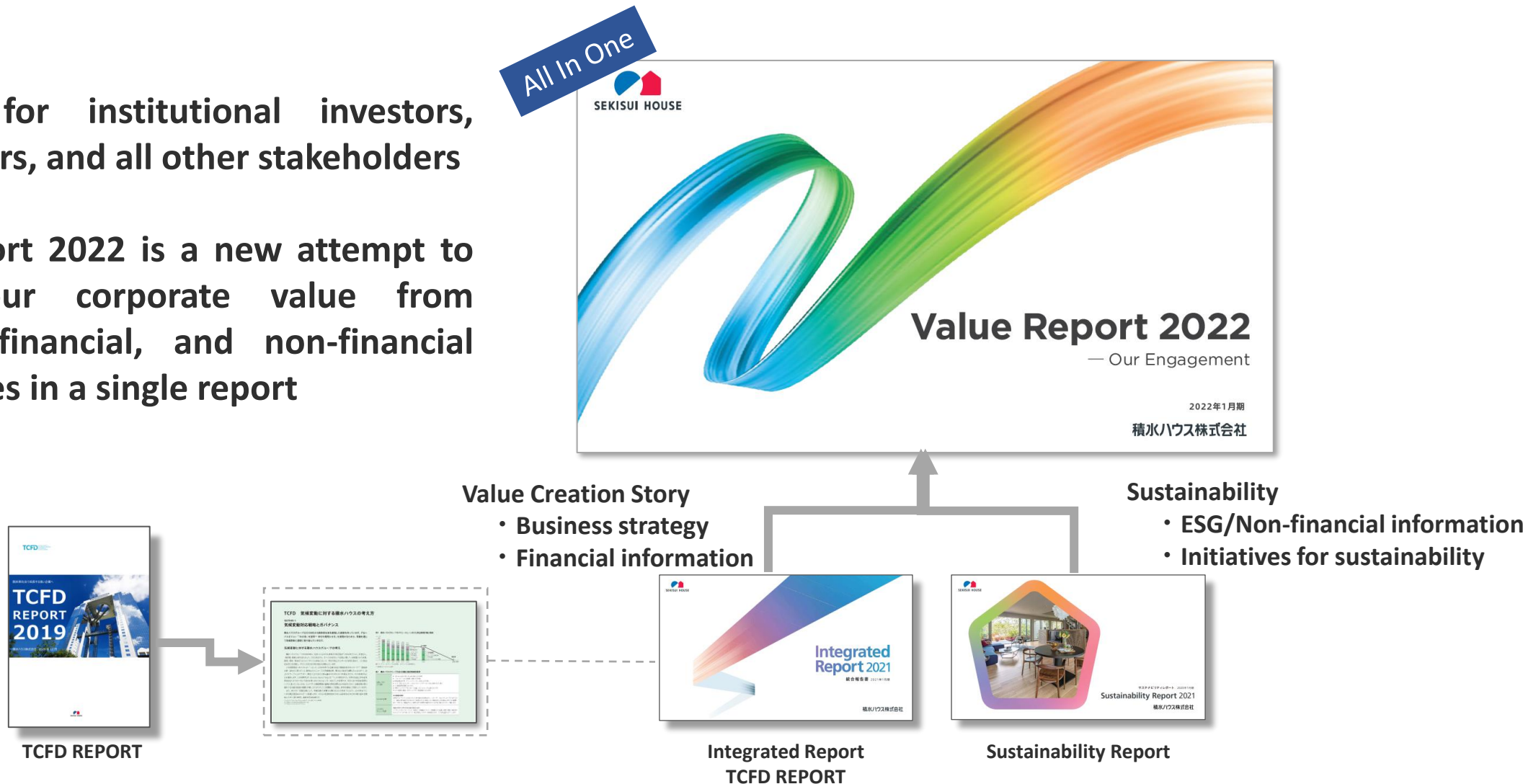
2021  
Integrated Report  
(TCFD REPORT incorporated)





## Become a leading company in ESG management

- Intended for institutional investors, shareholders, and all other stakeholders
- Value Report 2022 is a new attempt to express our corporate value from business, financial, and non-financial perspectives in a single report









**Business activities themselves are directly linked to the creation of corporate value**



## Process for Identifying Material Issues



**New material issues were selected through repeated discussions and reviews led by top management**

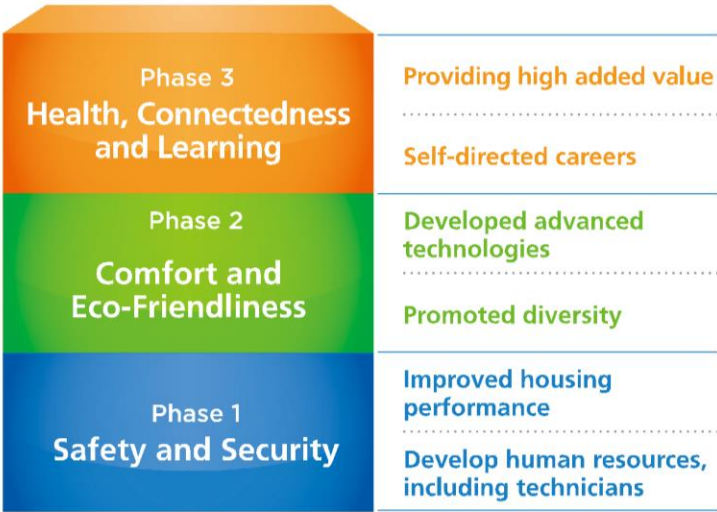
Since its founding, Sekisui House has delivered value as part of its unwavering commitment to customer happiness, social happiness, and employee happiness through its businesses based on its corporate philosophy of love of humanity. Society values Sekisui House because of all we have done over the past 60 years, which is indeed a defining materiality.

Sekisui House has identified creation of high-quality housing stock, contributing to a sustainable society, and diversity and inclusion as its latest material issues. They are the basis for our ongoing commitment to providing sophisticated value with the goals of contributing to happiness in the era of the 100-year lifespan and making home the happiest place in the world.

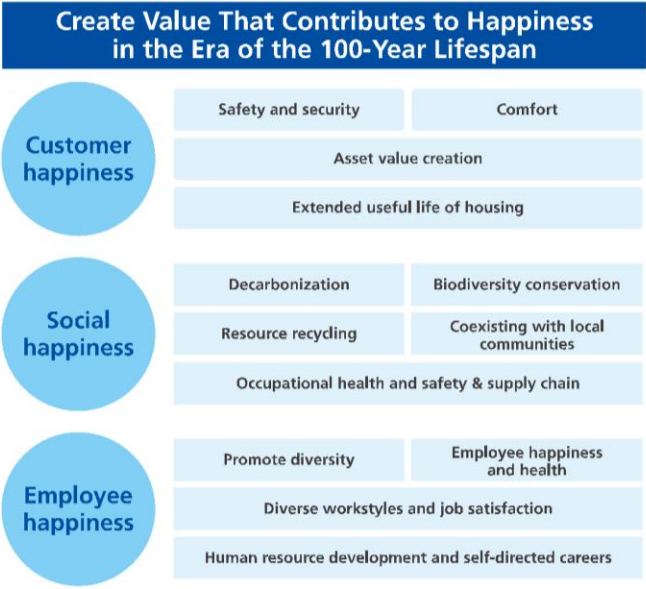
Global Vision

Make home the happiest place in the world

The Building of Sekisui House—  
Our Corporate Story



Value Delivered



Material Issues



Assessed our strengths, issues, etc. from an external perspective

Message from the Chairperson  
of the Board of Directors

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**Toshifumi Kitazawa**  
Independent Outside Director  
of the Board  
(Chairperson of the Board of Directors)

Has held positions including President & Chief Executive Officer, and Vice Chairman & Director at Tokio Marine & Nichido Fire Insurance Co., Ltd. Appointed Independent Outside Director of the Company in April 2020.



Two Outside Directors of the Board  
Share Their View

Page83-86

**Yoshimi Nakajima**  
Independent Outside Director of the Board

Positions held include Outside Director of AEON Financial Service Co., Ltd. and Specially-appointed Professor of The Graduate School of Project Design. She was appointed independent outside director of the Board of the Company in April 2021.



**Keiko Takegawa**  
Independent Outside Director of the Board

Positions held include Outside Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION and Specially Appointed Professor of Faculty of Global Business of Showa Women's University. She was appointed independent outside director of the Board of the Company in April 2021.



Separated company history since the founding in 30-year phases  
Clarified the value we provide from two perspectives: innovation and human resources

The Building of Sekisui House—Our Corporate Story

Drawing on Our DNA of Creativity to Take on Challenges for Happiness in the Era of the 100-Year Lifespan

Since its founding, Sekisui House has grown while helping to resolve social issues. From the very beginning, we have been committed to doing so based on our concept of the ideal home and its various roles.

Our history can be divided into two 30-year phases: Phase 1, in which we worked to improve housing performance with a focus on safety and security, and Phase 2, in which we developed our advanced technologies to focus on comfort and eco-friendliness. Now, as we continue our initiatives from the first two phases, in Phase 3 we are providing high added value with a focus on health, connectedness and learning for the happiness of residents. By offering new services, we aim to build homes that support happiness in the era of the 100-year lifespan.

Sekisui House will remain closely attuned to the needs of residents and take on the challenge of becoming a global company that contributes to a sustainable society.

Happiness  
in the Era of  
the 100-Year  
Lifespan



Draw on our DNA of Creativity to Take on Challenges for Happiness in the Era of 100-Year Lifespan

Phase 1 1960 – 1990

Safety and Security

Improved housing performance

Developed human resources, including technicians

Lifelong housing concept

Direct sales and the design-built system

Comprehensive Housing R&D Institute

Development of skills for each job type and rank

Created education and training centers

Phase 2 1990 – 2020

Comfort and Eco-Friendliness

Developed advanced technologies

Promoted diversity

SHEQAS, Airkis  
Green First ZERO  
Flexible β System

Participation of women, hiring people with disabilities

Respect of human rights, Workstyle reforms

Phase 3 2020 -

Health, Connectedness, and Learning

Providing high added value

Self-directed careers

Family Suite, SMART-ECS

Integration of technologies, lifestyle design and services

Creation of the next generation of leaders

Employee engagement

Phase 1: 1960-1990

**Safety and Security**

**A 30-Year Focus on High Quality, High Performance, Safety and Security in Housing Construction**

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

**Sekisui House's Innovations**

We took a variety of approaches to resolving housing problems and to providing homes as shelter to ensure people's safety and security. Our ongoing initiatives in each of these areas helped improve housing performance.

**Launch of Sekisui House Model B**

In 1963, the origin of our current housing products, in 1963, we were the first in the Japanese housing industry to introduce seismic specifications (center = 200 mm). This led to the creation of more space than the use of traditional shoji specifications (1 mm = approximately 910 mm). We also improved insulation performance and adopted aluminum sashes for windows. In addition, we enhanced design freedom by developing our Universal House System, an original steel frame construction method.

**Production Basis Expanded**

The Design Factory began operating in 1981. It met rapidly growing demand for high-quality housing based on our approach of ensuring quality and stable supply through production of components at our own factories. This led to improved housing performance.

**Direct Sales and Design-Built System Established**

In 1984, Sekisui House transitioned from activity agents to direct sales. We also established our design-built system, in which we take full responsibility for construction, and also provide after-sales service. In 1973, we established Sekisui Construction to guarantee high quality by conducting foundation work in-house. Enhancing our research with direct sales and the design-built system provided greater peace of mind for customers.

**Development of the Earthquake Resistant of Our Houses**

In 1975, we conducted the first set of full-scale vibration experiments on a prefabricated house at the National Research Center for Disaster Prevention (currently the National Research Institute for Earth Science and Disaster Prevention). Research verification using the most sophisticated shaking table then available proved that our building was able to withstand powerful earthquakes. We continue to conduct experiments to evaluate and improve the earthquake resistance of our housing.

**Living Space Quality System Initiated**

In 1985, the Housing Performance Quality Program was initiated, aiming directly to build high-quality houses. At Sekisui House, we believed that it was our responsibility as a corporation to address complaints. Therefore, in 1986 we collaborated with the Japan Prefabricated Construction Suppliers and Manufacturers Association to create up with revised Construction Standards for Prefabricated Housing, ensuring the accuracy of the framing and waterproofing from day one, we began the beginning of a new era for the industry.

**Customer Satisfaction System Established**

In 1987, the established Customer Service Center in 1987 to provide after-sales service and contact for customers based on direct dialogue with owners. In 2004, we also opened centers that operate outside of normal working hours to offer emergency repairs and consultations at any time. We value our relationship with owners even after they take possession of their home and we are committed to ensuring comfortable living—now and always.

**Improved housing performance**

- Created the lifelong housing concept
- Initiated direct sales and the design-built system
- Established the Comprehensive Housing R&D Institute

**The People Who Support Sekisui House**

Employees are the source of our innovative technologies and services. As a leading ESG management company, we therefore have a responsibility to develop them. We are implementing initiatives to develop the human resources who will support Sekisui House and to ensure that our technologies are passed on.

**Developed human resources, including technicians**

- Development of skills for each job type and rank
- Created education and training centers and original ability tests
- Established in-house certification systems and education and training requirements

Phase 2: 1990-2020

**Comfort and Eco-Friendliness**

**A 30-Year Focus on Comfort and the Environment**

As environmental issues and climate change became more apparent worldwide, we focused on meeting the needs of residents seeking comfortable lives. We led other companies in further enhancing interior technologies in areas such as earthquake resistance, durability and insulation to establish a substantial track record in comfort for residents and eco-friendliness through energy-saving housing and other measures. We also focused on providing comfort and eco-friendliness for entire communities through town development and redevelopment projects.

**Sekisui House's Innovations**

In addition to addressing the need for housing that provides safe, secure shelter, we studied a wide range of technologies to develop the most sophisticated approaches to meeting residents' needs for comfort.

**Full Commitment to Universal Design**

Housing on our concept of lifelong housing, which was formalized in the 1980s, we apply Sekisui House Universal Design to all of our detached houses to make daily life easier for residents. Furthermore, we promoted smart universal design for comfort. We also started housing designers who could make detailed proposals to address the needs of people with disabilities, and have since focused on providing comfort for a greater range of people through design.

**Improved Insulation Performance**

In 2003, we became the first major domestic housing manufacturer to adopt next-generation energy-saving specifications that satisfy three criteria set by the government—the insulation, airtightness and ventilation system. These specifications became standard for all of our newly built detached houses. Doing so improved floor insulation performance by about 20% compared to conventional insulation, and helped reduce environmental impact.

**Implemented the Green First Strategy**

In 2009, Sekisui House led the housing industry with the launch of the Green First House that provides comfortable, economical and eco-friendly living. Green First houses reduce energy consumption through the use of high-performance insulation and energy-saving technology. They also offset energy consumed through the use of a photovoltaic power generation system and the One-Fram household fuel cell, leading to a 40%-45% reduction in household CO2 emissions during occupancy. We evolved this technology further and are now promoting it in the form of our net-zero energy house (ZEH).

**Slow Living**

We marked our 50th anniversary in 2010 by starting sales of housing offering "slow living" that connects indoor and outdoor space. We adopted control using a variety of approaches based on thorough research data. The result was large living glass doors with fully retractable before sales on call that when open create a large continuous space from inside the house to outside under the eaves.

**Human Life R&D Institute Opened**

The Human Life R&D Institute studies "Houses where happiness grows the longer people live." It conducts survey and research on living and death lifestyles with the aim of fostering well-being through intangible value. Research into creating the next generation of housing led to improvements in advanced technologies that integrate technologies and lifestyle design. The result was the launch of Family Suite. In addition, we provide comfortable living by addressing diversifying lifestyles with customizable design.

**Developed advanced technologies**

- Original SHEQAS seismic control system
- Airkis high-quality indoor air system
- Green First Zero (ZEH)
- Flexible β System

**The People Who Support Sekisui House**

We are focusing on various initiatives to promote employee diversity because we believe that diversity will foster a vibrant culture in which the entire Group can innovate and communicate, further enhancing corporate value.

**Promoted diversity**

- Participation of women
- Hiring of people with disabilities
- Respect for human rights
- Workstyle reforms

Phase 3 2020-

**Health, Connectedness and Learning**

**Providing Value from Housing with a Focus on Health, Connectedness and Learning**

Since it began in 2020, the COVID-19 pandemic has increased time spent at home and changed lifestyles. This has led to growing interest in and demand for purchasing a home and diversifying needs for the way housing is used. The housing business must provide new value in the era of the 100-year lifespan, and we will do so by ramping up the integration of our technologies, lifestyle design and services.

**Sekisui House's Innovations**

Aiming to provide happiness in the era of the 100-year lifespan, we will further evolve the technologies we cultivated in Phase 1 and Phase 2 as the basis for initiatives that are closely attuned to the lives of residents.

**The Use of IoT Technology**

Our practice use of IoT technology enables us to create high-quality high-performance housing while improving productivity. We are using digital technologies to transform our business in order to meet diversifying needs for housing.

**The Platform House Concept**

To prepare new housing concepts that will help residents achieve happiness in the era of the 100-year lifespan, Sekisui House is expanding its business from the residential domain to include lifestyle services. In Platform Houses, we will be able to incorporate services related to health, connectedness and learning, and tailor these services to each resident.

**HEd-Net: An In-Home Early Detection Network for Acute Diseases**

We designed HEd-Net, the first service in the world that uses contactless observation installed in the home to detect heartbeats and respiration, and to send an alert to emergency call centers for safety confirmation in the event that an abnormality is detected.

**PLATFORM HOUSE touch**

Platform HOUSE touch is the first phase of our Platform House Concept. The floor plan of this smart home service is linked to a smartphone app, enabling remote control of home devices from inside or outside using the big data of the house.

**Intangible assets in the era of the 100-year lifespan**

- Intangible assets in the era of the 100-year lifespan
- Resident data
- Living environment data
- Lifestyle data
- Evolution of hardware as a platform

**Providing high added value**

- Family Suite
- SMART-ECS
- Integration of technologies, lifestyle design and services

**The People Who Support Sekisui House**

We are committed to supporting the self-directed careers of employees, and conduct initiatives to foster an innovative corporate culture.

**Self-Directed Careers**

- Creation of the next generation of leaders
- Employee engagement



Our track record is the value of our existence and is connected with materiality

Drawing on its corporate philosophy of love of humanity, for more than 60 years the Sekisui House Group has been delivering new value through its businesses ranging from safe, secure housing to comfort and environmental consideration while helping to resolve contemporary social issues.

In the process, we have been addressing material issues, which is the social mission we embrace in moving our businesses forward.





Creation of High-Quality Housing Stock

Technology to Improve and Comfort

Sekisui House focuses intensely on the... The prevalence of soft ground in Japan... expensive and large-scale boring survey... Sekisui House addressed this situation... weight sounding tests, which are novel... this approach.

We have been researching foundation... This approach involves a single point... excellent uniformity, strength, and cost... quality, reduced labor, and improved... "1660 foundation" that features a... partially or completely destroyed by large... 1660 foundation remains our go-to... In addition, Sekisui House has... resistance, seismic control, and seismic... been conducting proof-of-concept tests

Sekisui House's Technology and Mindset Back Our Material Issues



Contributing to a Sustainable Society

Reducing Environmental

Sekisui House announced its... throughout the Group to fulfill its... through residence and disposal... therefore placed the effective use... strategies we formulated. We began... its core: preserving the global... subsequently established environmental... strategies for specific actionable goals... and reduce waste, (3) improve the... friendly town development.

Well before the term "decarbon... goals reflected the climate change... are representative of our corporate... solutions to environmental issues... have made Sekisui House a leader... environmental initiatives such as ZEH

Sekisui House's Technology and Mindset Back Our Material Issues

Contributing to a sustainable



Diversity and Inclusion

Sekisui House's Technology and Mindset Back Our Material Issues

Employee happiness is essential to make home the happiest place in the world. We are conducting human resource development to create happy workplaces that are akin to home for employees.

Continually Deepening Human Resource Development as Times Change

Sekisui House has been focusing on developing its people since its founding in 1960. We initially focused on on-the-job training through actual work, but in the 1980s, competition in the housing industry intensified backed by diversifying lifestyles brought on by high economic growth. We immediately strengthened and accelerated our sales capabilities by providing training for sales personnel.

Amid these changes, in 1987 we established education and training guidelines that set forth our basic policy for developing employee skills. This policy defines training as the development of the people we need to provide products and services that result in high customer satisfaction, people who excel at work and business, and people who are creative and innovative. Based on this policy, we have dramatically improved our employee training systems and further enhanced content. We also have a well-developed in-house certification system to help technicians improve their skills, with certification of competent in-house qualified personnel in the design and construction departments, encompassing Chief Architects, Platinum Specialists, Structural Planning and Design Specialists, and Chief Constructors.

Our certification system enhances both employee expertise and autonomy by improving skills and motivation. An additional personnel development theme is nurturing people with self-directed careers who can achieve customer satisfaction because they act on their own accord with a personal vision to independently develop their own capabilities.

Page 143: In-house certification programs



Training That Imparts the Technology and Spirit of Sekisui House to Technicians


The Sekisui House Group shares the spirit of "a community with a common destiny." It emerged when the Company name changed from Sekisui House Industry to Sekisui House in 1963, and is the basis of our corporate philosophy of love of humanity that we formulated in 1989 as our core value and basis of our contribution to society of which we are all part.

The spirit of a community with a common destiny is not limited to our inner circle. Cooperation among many people empowers the housing industry, so strong ties with partner building contractors and companies are key. Sekisui House opened a vocational training school for technicians in Kanagawa in 1982 to improve construction quality by enhancing Group capabilities, imparting technologies and developing people. We added schools in Ibaraki, Shiga, and Yamaguchi through 1987 for four locations nationwide. These schools differ significantly from general training centers. They cover practical techniques for housing construction along with subjects ranging from socially responsible behavior and adult education to the soul of the Sekisui House Group. We believe that the Group's spirit is key to making customers happy, so we must impart both our technology and our spirit.

Our unique examination and certification system helps to enhance our construction capabilities. We initiated Chief Technician certification in 1983, then established Sekisui House Remodeling Meister to improve construction quality at remodeling sites. Moreover, our spirit of a community with a common destiny expands our focus to developing people at partner building contractors.

KPIs were discussed and formulated in a bottom-up manner


Linked to officer remuneration and internal awarding system to align the vectors of the entire group



Creation of High-Quality Housing Stock


Material Issue	Category
Creation of High-Quality Housing Stock	Safety and Security Comfort
	Asset Value Creation
	Extended Useful Life of Housing

PSU: Performance Share Unit (performance-related)



Contributing to a Sustainable Society

Material Issue	Category
Contributing to a Sustainable Society	Decarbonization
	Biodiversity Conservation
	Resource Recycling
	Coexisting with Local Communities
	Occupational Health and Safety & Supply Chain



Diversity and Inclusion

Material Issue	Category	
Diversity and Inclusion	Promote Diversity	
	Employee Health and Happiness	
	Diverse Workstyles Job Satisfaction Human Resource Development Self-directed careers	

Themes and KPI for Material Issue Initiatives

Decarbonization

Ratio and number of ZEH units

Rate of CO<sub>2</sub> emissions reduction

Promote diversity

Number of female directors of the Board and managers

Qualifications acquired

Ratio of full-time female employees

Basis of Material Issues

Love of Humanity Corporate Governance

Material Issue Category

Governance

KPI Categories

- Ratio of independent outside directors of the Board
- Corporate governance
- Group governance
- Integrity
- Enhancement of governance-related human resources training
- Compliance

Material Issue	Category	No.	Indicator	Officer remuneration indicators		Fifth Mid-Term Management Plan	President commendation ESG indicators	Unit	FY2020		FY2021		FY2022		Remarks
				PSU1	PSU2				Target	Result	Target	Result	Target		
Love of Humanity Corporate Governance	Governance	42	Ratio of independent outside directors of the Board					%	—	33%	40%	40%	40% or higher		
		43	Responding to Corporate Governance Code according to reviews by evaluation organizations and others	○		○		Points → Ranking	4.1 or higher	4.04 (12th place)	15th place or better	7th place	9th place or better	New standard from FY2021	
		44	Clearer separation between management supervision and business execution (Personnel Affairs and Remuneration Committee, Management Meetings, executive officer system reform)	○	Achieved	○		—	Regulatory revisions	○	Stabilized implementation	○	Improvement		
		45	Strengthening the Group governance system (Group administrative regulations; development and appropriate assignment of governance-related human resources)		Achieved			—	—	—	Regulatory regime	Achieved	Regulatory implementation		
		46	Increasing integrity at business management level (percentage of managers attending management integrity training)					—	Head office leads: Over 50% attendance	97.3%	Group officers and leads: Over 50% attendance	79.8%	Group officers and leads: 100% attendance		
		47	Governance Strategy Sheet initiatives	○		Achieved		People → %		Involvement of general affairs leads of Sekisui House (134)	Involvement of general affairs acting leads of Group companies (228)	Involvement of general affairs managers of Group companies (228)	Percentage of Governance Strategy Sheet initiatives adopted: 90%		
		48	Number of serious violations of laws and voluntary norms					Cases	—	0	0	0	0		

1. Participants in FY2020 and FY2021. Changed to implementation ratio from FY2022.  
2. Average Well-Being Circle score for 34 items in 11 categories in the happiness diagnosis





Representative Director of the Board  
President, Executive Officer, CEO

**Yoshihiro Nakai**

- **The Second Year of the Fifth Mid-Term Management Plan in Review**

Overcoming Difficulties by Aligning Efforts and Integrating Technologies and Lifestyle Design for Happiness

- **Thoughts on Our Global Vision, Medium-to-Long-Term Policies, and Perception of Issues**

Utilizing the Advantages of Sekisui House Technologies and Lifestyle Design to Realize Our Global Vision

- **Identifying New Material Issues**

Three New Material Issues for the Sustainable Future  
We Pledge to Our Stakeholders

- **Outlook and Improvement of the Sekisui House Group's Corporate Value Going Forward**

Feature: Growth Strategy Case Studies

The Sekisui House Group has started a variety of initiatives for new growth. This section features three case studies from among these initiatives.

Case Study 1 A New Business Platform House

The services offered in the first phase were for residents in the era of the 100-year lifespan. Sekisui House.

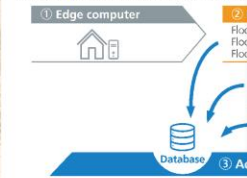
The Platform House

One of the growth strategies in the first phase. Announced in 2020, this initiative expanded the product into lifestyle services for residents in houses that continue to generate the income to serve as the basis of new lifestyles. Through the era of the 100-year lifespan.

We are working to provide three types of services: edge computing that integrates data and the accumulation of lifestyle and information. Launched in August 2021 as the first step, this service checks the status of their house and opens up new connectedness and learning, and develops new services.

Platform House Rollout

- Feature ① Edge computing strengthens information processing.
- Feature ② Homes can be installed with new services.
- Feature ③ Collects lifestyle and living environment data.



Feature: Growth Strategy Case Studies

Case Study 2 Transferring Sekisui House Technology Worldwide Homebuilding Business

To make our global vision a reality, we will establish businesses outside Japan, with the integration of technologies, lifestyle design, and business models. This is at the core of this initiative.

Extending the Coverage Area of the Homebuilding Business

The Sekisui House Group is focusing on creating new technologies to integrate the housing technology, proposals and services. To make Sekisui House a leader in our homebuilding business of supplying 100-year homes.

The homebuilding business in the United States is a new business for the Group. The homebuilding business in the United States is a new business for the Group. The homebuilding business in the United States is a new business for the Group.

Three Steps to Expand the U.S. Homebuilding Business

- Step 1: Create a foundation for U.S. homebuilding business. Achieved with Woodside Homes.
- Step 2: Horizontal development into promising areas. Accelerate expansion into new areas through acquisition of Hdr.
- Step 3: Develop SHAWOOD, embodies the ideals of Sekisui across the United States. Make home the happiest place in the world.

Feature: Growth Strategy Case Studies

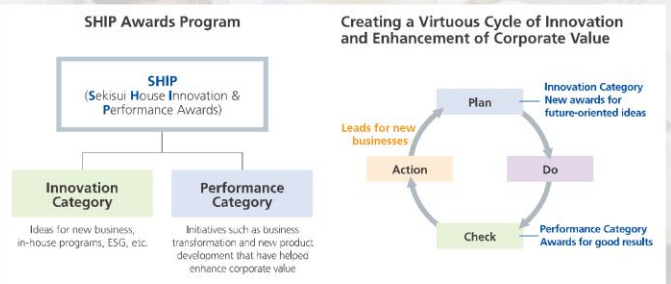
Case Study 3 Fostering an Innovative Corporate Culture Sekisui House Innovation & Performance (SHIP) Awards Program

Fostering an innovative corporate culture is crucial for the sustainable growth of the Sekisui House Group. The SHIP awards program plays an important role in developing self-directed people and organizations.

An Innovative Corporate Culture Fostered by Innovation and Communication

SHIP is a Group-wide initiative to foster innovation through communication. All employees are eligible to participate. It combines the former Innovation Competition that we held to commemorate Sekisui House's 60th anniversary with our traditional awards such as for technical development and business achievements. The Innovation Competition was an initiative to cultivate the innovative corporate culture necessary for the Sekisui House Group to overcome challenges and succeed over the next 30 years. It reflects our strong commitment to innovation and communication, with a focus on employee communication as the source of innovation.

SHIP consists of two categories. In the Innovation category, employees share ideas with ESG perspectives for new businesses and in-house programs. In the Performance category, employees showcase the outcomes of business transformation and newly developed products, as well as initiatives that have improved operational efficiency and productivity, social contribution activities, and other areas based on freely implemented ideas at workplaces. By linking the two categories and motivating employees to generate and act on their own ideas, we create a virtuous cycle of innovation and enhancement of corporate value.



Advancing the Group through Ideas That Emerge from Communication



Unpredicted, yet impactful outcomes emerge from interactions between individuals. When people communicate, they are exposed to new perspectives. As a result, they achieve better outcomes than those achieved by lone individuals. SHIP fosters cross-organizational communication and collaboration—between employees who normally have no contact with each other, between employees and senior management, and among employees from different Group companies—generating new ideas that lead to positive impacts. Through cross-organizational communication and an improved workplace culture, SHIP is aimed at cultivating a Group environment where new ideas constantly emerge, and at encouraging greater employee self-development. We believe that SHIP also plays a role in promoting greater openness to new ideas and discoveries in day-to-day work at branches, Group company offices, factories and the head office. Compared with the 232 entries we received for our Innovation Competition in 2021, the newly launched SHIP garnered a total of 843 compelling submissions for the Innovation and Performance categories.

In March 2022, we held the final round and award ceremony for the first SHIP at the W Osaka hotel. The finalists, comprising 20 teams, pitched their innovative ideas and initiatives to senior management. The event was livestreamed to Group offices and employees worldwide.

At SHIP, ideas emerge from diverse perspectives. These ideas, which include novel and competitive business opportunities and effective practices in Human Resource management, also address pressing organizational and social needs, thus enhancing our corporate value. In addition, the event offers employees a unique opportunity to pitch their ideas directly to senior management and receive feedback and guidance.

Sekisui House Group employees are inspired by the passion of their colleagues demonstrated in the final round. By motivating other employees to take part in the future, SHIP drives us to grow into a Group where each employee takes on new challenges and initiatives.



Front row: Final round judges (Company directors of the Board as of March 15, 2022) Back rows: Finalists (award winners)



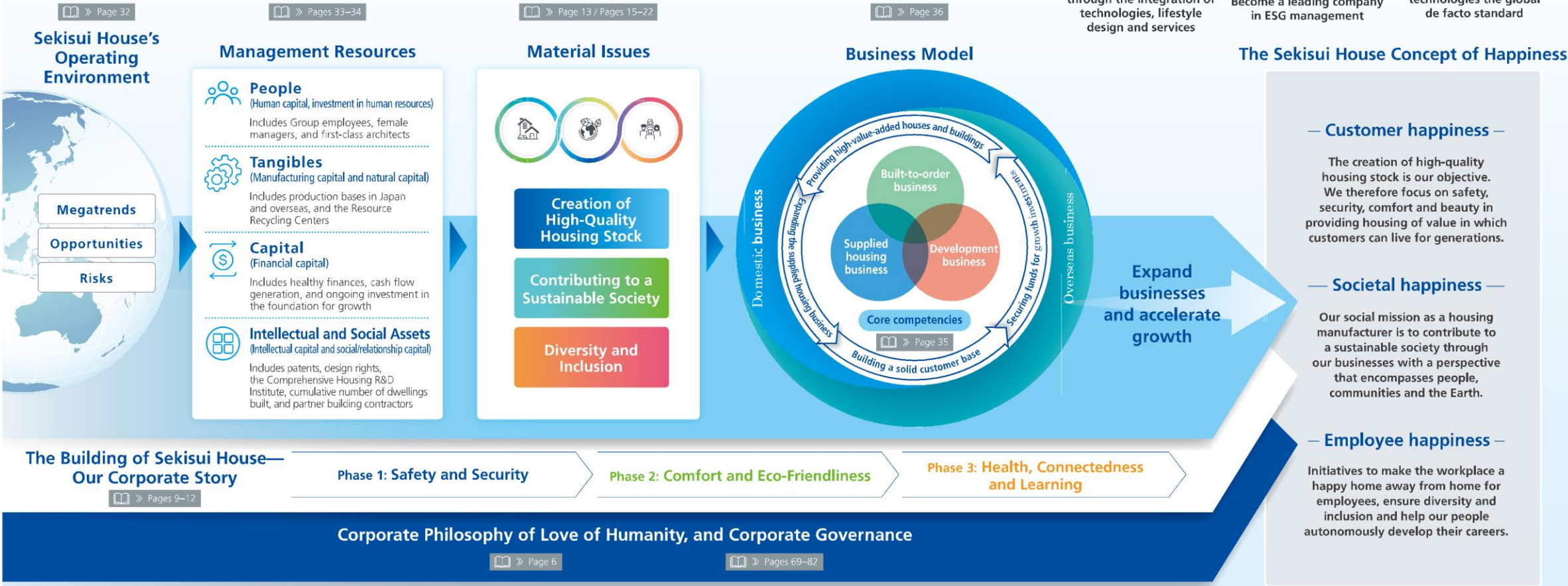
Presentation by a finalist



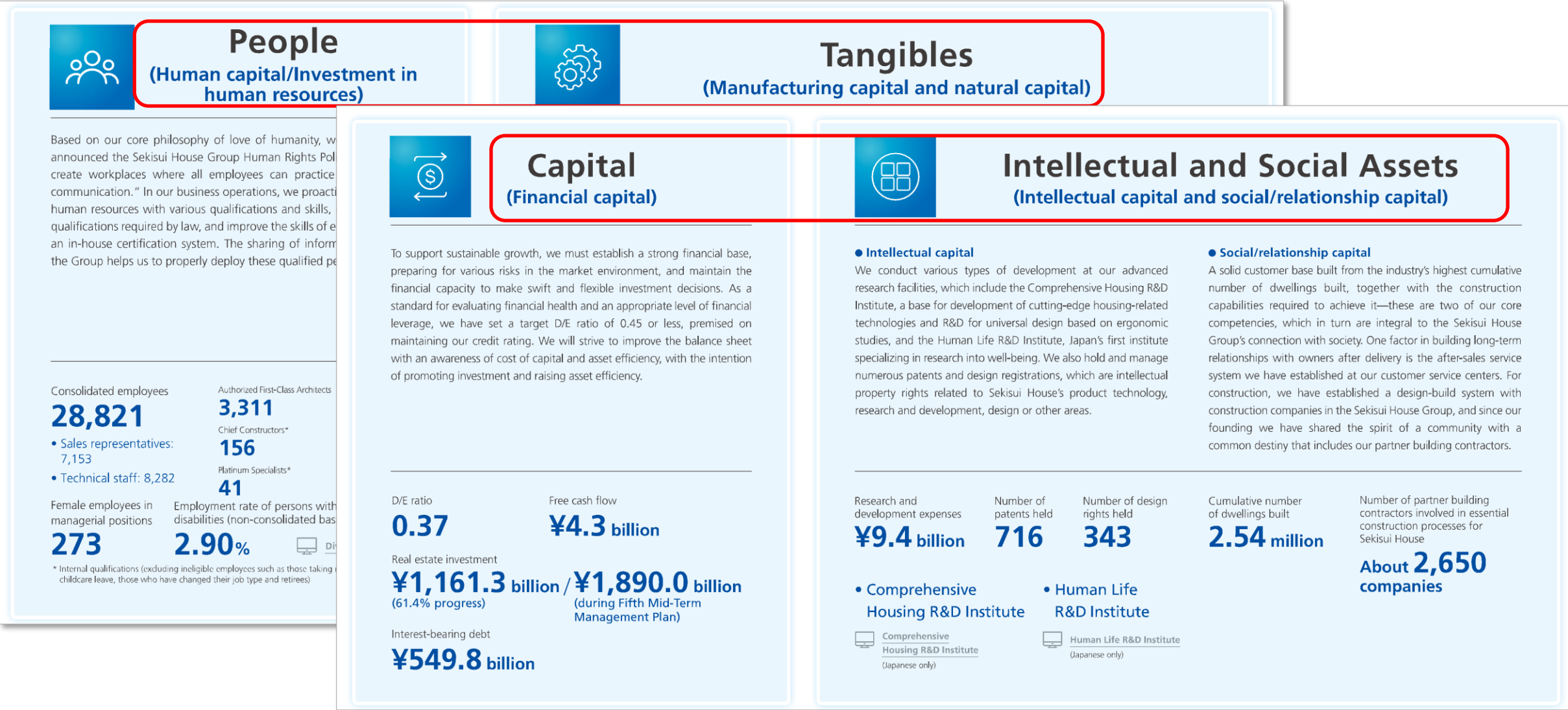
Value Creation Process

Love of humanity is Sekisui House's core corporate philosophy, and we have drawn on our philosophy, technology and people to achieve numerous innovations. Our history since our founding can be broken down into 30-year phases. We emphasized safety and security during the first phase, then comfort and eco-friendliness during the second phase. We are now emphasizing health, connectedness and learning in our third phase.

Based on our love of humanity, which is essentially the DNA of Sekisui House, and the three phases of our corporate story, we will identify risks and opportunities in our operating environment and use resources effectively and efficiently to expand our businesses and accelerate growth with the goal of creating corporate value and achieving our global vision.

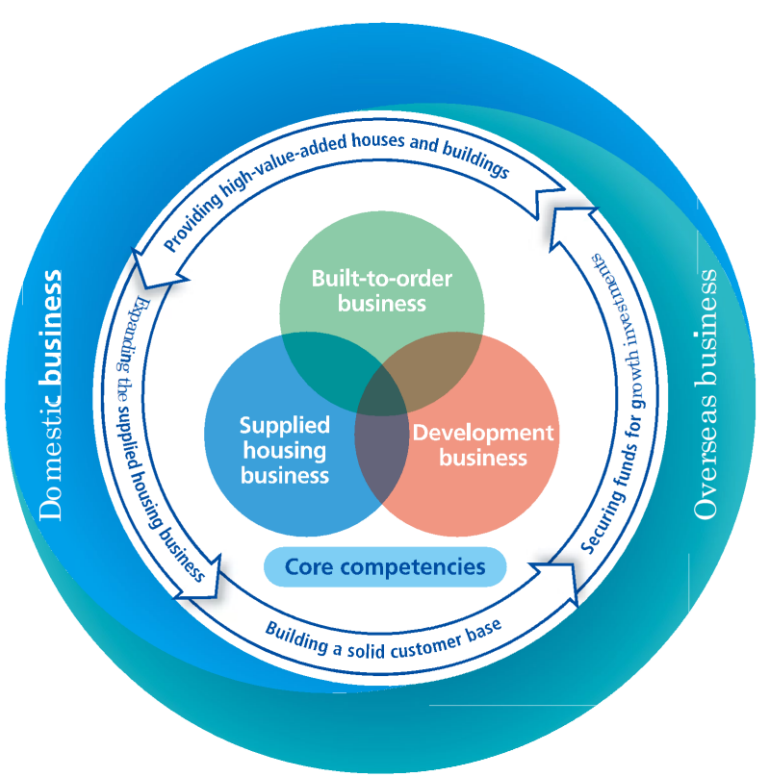


Management Resources





Business Models



Business Models



Technical Capabilities

- Universal design for “comfortable living—now and always”
- SHEQAS, Aikis and other original technologies for proven safety and security
- Green First Zero and other environmental technologies
- Original DYNE CONCRETE and Bellburn original exterior wall panel manufacturing technologies
- Staff with diverse qualifications, including first-class and second-class architects
- Improved ability to make proposals through the introduction of an in-house system of qualifications (Chief Architect, etc.)



Construction Capabilities

- Sekiwa Construction companies, which are wholly owned subsidiaries of Sekisui House, use a design-build construction system
- Loyal cooperative system for construction through the Sekisui House Association
- Acquisition of model approval for shortened construction timeframes
- Improved ability to make proposals through the introduction of an in-house system of qualifications (Chief Constructor, etc.)



Customer Base

- Owners of the 2.54 million dwellings we have built, the most in the Japanese housing industry
- An after-sales service system featuring customer service centers for customer peace of mind after they take possession of their houses
- Long-term relationships with rental housing owners through Sekisui House Real Estate companies
- Owner referrals and a high repeat rate



Overview

Research and Development

We aim to create value for residents in the era of the 100-year lifespan. Our research and development therefore encompasses technologies, lifestyle design and services, based on the residential domain, and ranges from the development of advanced technologies for safety, security, comfort and health to surveys and research for proposals for happy living and services.

Product Development, Design and Technologies

Our objective is to remain a leader in developing products that deliver the highest quality and technology and meet customer needs. The products we create based on this mission are houses that realize customers' dreams through customized designs using our advanced design proposal capabilities.

Sales

In sales, which are the front line of customer contact, we stay closely attuned to our customers to offer value proposals for their ideal house, based on our philosophy of love of humanity. Our aim is to build strong and lasting relationships of trust with our customers.



Overview

Procurement

Building a house requires tens of thousands of components. Sekisui House works with diverse suppliers to promote sustainable procurement based on its CSR Procurement Guidelines.

Production

Our unique production system carefully manages each process from manufacture to shipping for each individual home. Under an advanced quality control system for pre-engineered housing, we promise consistent high quality for all homes.

Construction

We have established a design-build system encompassing our wholly owned Sekiwa Construction companies, and the Sekisui House Association, which is made up of partner building contractors. Together, they promote superior construction systems, the highest construction quality and environments, and the development of construction techniques.

Customer Service

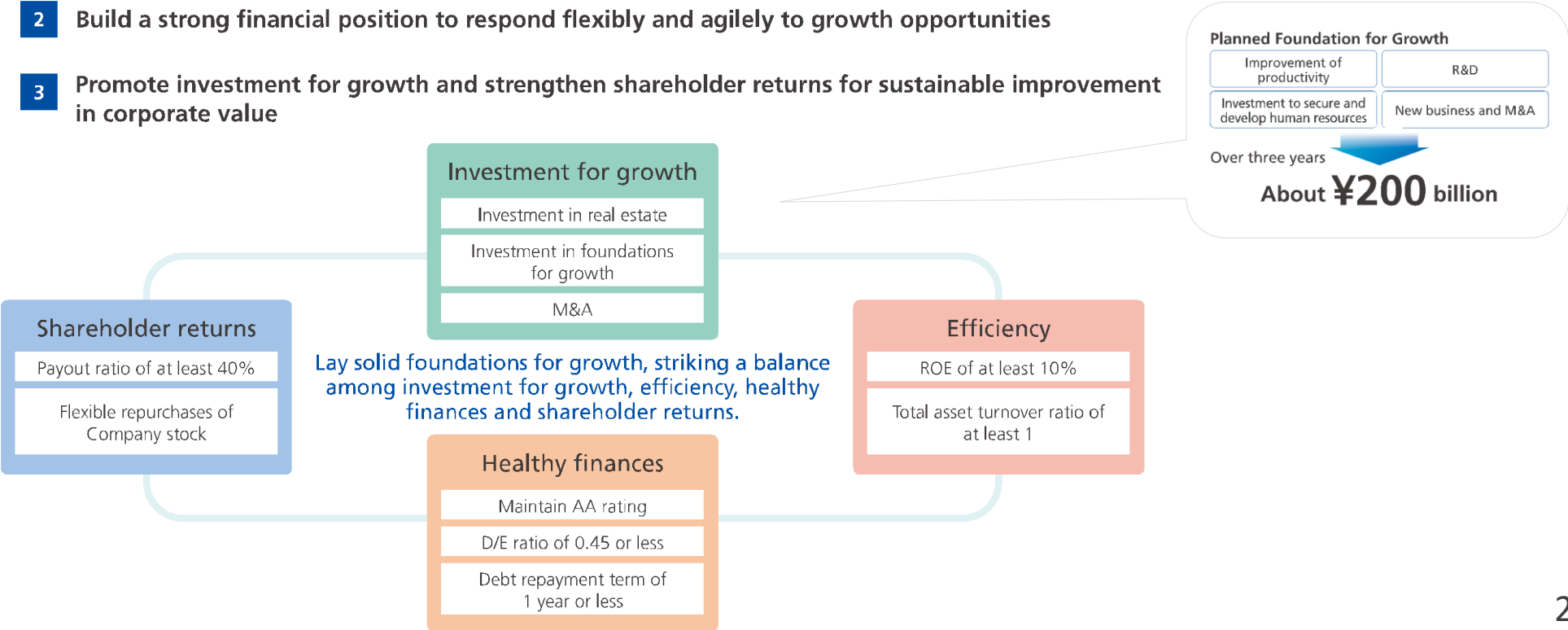
To ensure comfortable living—now and always, we consider proper after-sales service to be part of the intrinsic value of a home, and provide lasting security with long-term support systems such as our initial 30-year warranty program and U-trus System.

Financial and Capital Strategy

Efforts to enhance financial soundness have been successful  
Promote proactive real estate investment and a foundation for growth  
from a medium- to long-term perspective

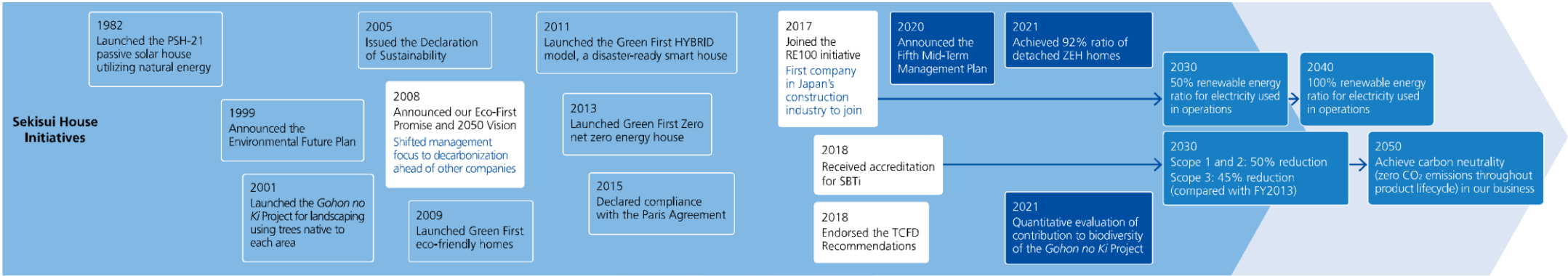
Basic Policies of the Fifth Mid-Term Management Plan

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



Environmental Strategy

Promote integrated environmental and business strategies to realize happy lives for our customers



Promoting ZEH

Ratio of Detached ZEH Homes

Target: .....90%

Progress:<sup>2</sup> .....92%

(Cumulative total of 69,163 detached ZEH homes ordered)

Ratio of ZEH Units for Rent

Target: ..... 2,500 units per year

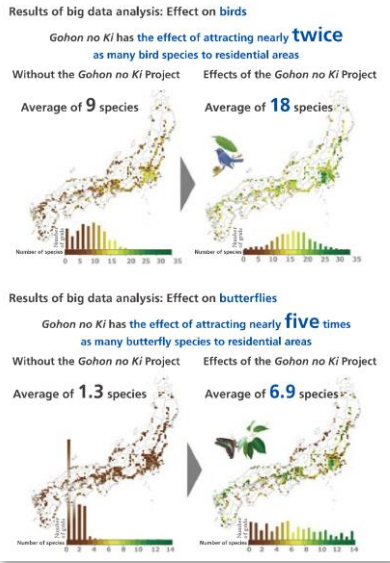
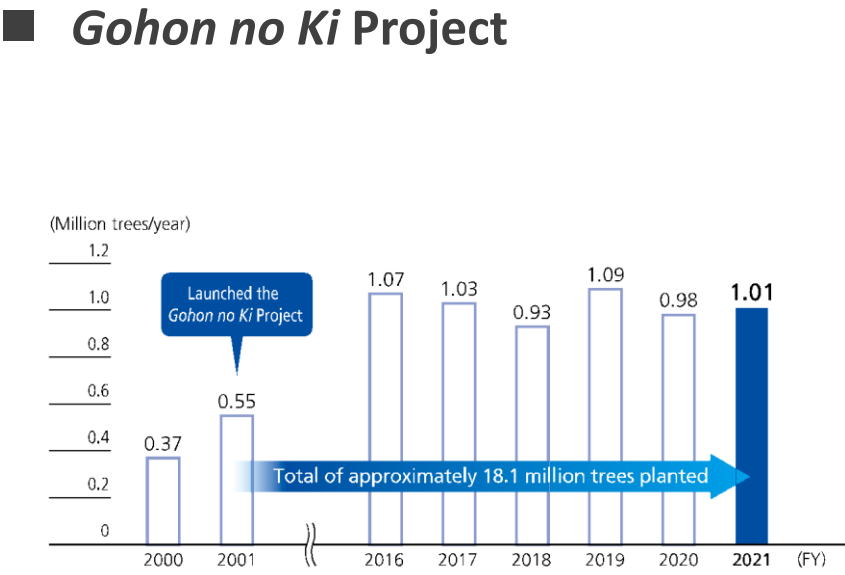
Progress:<sup>3</sup> ..... 8,501 units per year

(Cumulative total of 12,307 ZEH units ordered)

Total ZEH Condominium Units Built

Target: .....540 units

Progress:<sup>4</sup> .....192 units





## Human Resources Strategy

**Employee growth is the growth of the Sekisui House Group, and we are spreading a corporate culture of innovation and communication throughout the Group**

### ■ Four Reforms of Our Human Resources Strategy

- 1 Career consciousness reform: Self-directed careers**
- 2 Leader appointment reform: Leadership pipeline**
- 3 Group human resources interchange reform: Group human resources database**
- 4 Governance reform: Appropriate deployment of Group governance-related human resources**

Technology Development Strategy

Research and development of homes that realize customer happiness

■ Research and Development That Integrates Technologies, Lifestyle Design and Services

Family Suite, SMART-ECS, PLATFORM HOUSE touch

■ Expanding in New Business Areas with Technology Development Based on the Residential Domain

Securing internal human resources, introducing external human resources and collaborating with alliance partners to design and conduct business; Enhancing interchange and collaboration with parties in our own and other industries through measures including open innovation and M&A

■ Intellectual Property Strategy for Technology Development

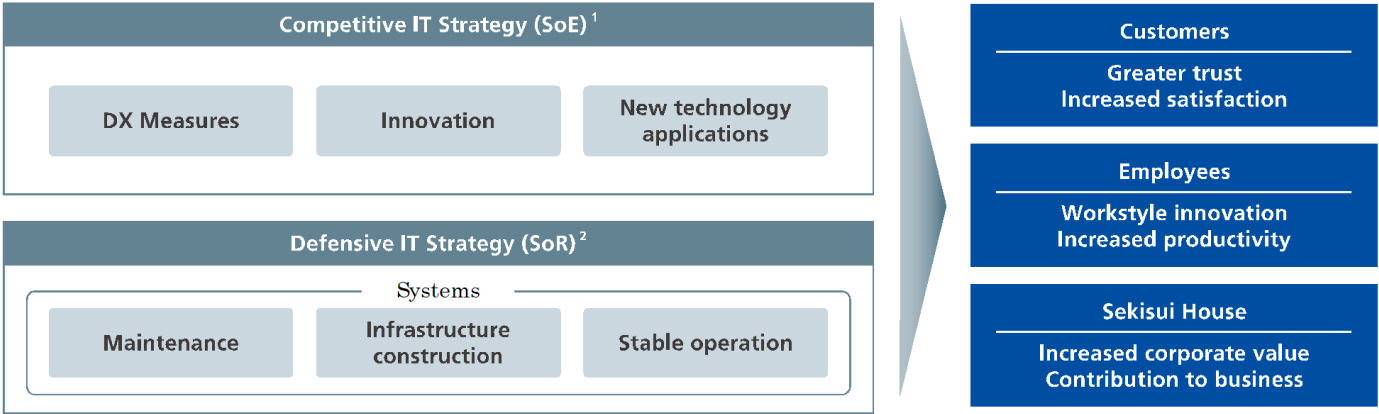
Number of rights held	Patents	Design rights
As of end of FY2021	716	343
Targets for FY2022	850	400



Digital Technology and Initiatives for Digital Transformation (DX)

Aiming to create value for all stakeholders from competitive and defensive perspectives

Overview of DX Strategy



1. System of Engagement 2. System of Record

- |   |   |   |   |
|---|---|---|---|
| 1 | Using Daily Resident Data to Provide Personalized Services  | 2 | Sharing Information Securely with Other Companies Using Blockchain Technology |
| 3 | Integrated Management of Information Assets                 | 4 | Utilizing Customer Data (CRM Strategy)  |
| 5 | Communication Using Digital Technology and Mobile Terminals | 6 | Online Sales  |
| 7 | Strengthening Information Security Measures                 | 8 | DX in Our Overseas Business   |

Further corporate governance reforms

Ratio of outside directors is 50% and the Chairperson of the Board of Directors is selected from outside the Company

● Key Initiatives in 2021

Outside director appointed Chairperson of the Board of Directors	<ul style="list-style-type: none"><li>• We selected the Chairperson of the Board of Directors from among outside directors to strengthen the effectiveness of the management supervision function of the Board of Directors.</li></ul>
Clarification of the Board of Directors skills matrix	<ul style="list-style-type: none"><li>• We clarified the knowledge, experience and abilities expected of each candidate for director, and the reasons for choosing each skill category based on management strategies and plans.</li></ul>
Reform of the executive officer system	<ul style="list-style-type: none"><li>• We strengthened development of management personnel in each division and construction of a sustainable leader pipeline through clarification of roles, personnel requirements, and the process of appointment and dismissal.</li></ul>
Strengthened disclosure of the officers' remuneration system	<ul style="list-style-type: none"><li>• We disclosed of the items and targets of the ESG management indicators which are the KPIs of the Performance Share Units (PSU).</li><li>• We disclosed of individual remuneration of all internal directors.</li></ul>

Corporate Governance Highlights (As of April 27, 2022)

Composition of the Board of Directors and Audit and Supervisory Board



Ratio of outside directors of the Board

50.0% (5 of 10)

Ratio of outside Audit and Supervisory Board members

60.0% (3 of 5)

Ratio of outside officers

53.3% (8 of 15)\*

\* 5 of 10 directors of the Board and 3 of 5 Audit and Supervisory Board members

Ratio of female officers

26.7% (4 of 15)\*

\* 3 of 10 directors of the Board and 1 of 5 Audit and Supervisory Board members

Reform of the executive officer system

● A More Sophisticated Executive Officer Selection Process

Selection of Entrusted Executive Officers: Launch of Senior Management Assessment

Senior Management Assessment

- Newly appointed candidates undergo performance evaluation, multi-rater evaluation, as well as Senior Management Assessment conducted by an external organization.
- A variety of information from sources including extended interviews and multiple psychological tests is used to comprehensively evaluate current and future potential.
- The Personnel Affairs and Remuneration Committee deliberates on appointments based on the external organization's report on assessment results.
- Assessment results are shared with candidates and used in formulating future training plans.

Selection of Employed Executive Officers: Succession Plan Council Meetings and Human Resource Promotion Council Meetings

Succession Plan Council

- We initiated meetings in 2021 to visualize successors for employed executive officers and operating officers, and to share succession information among officers (operating officers and higher).
- We enhance the management candidate pipeline with discussions about sharing successor information and training plans.

Human Resource Promotion Council

- Entrusted executive officers (managing officer and higher) recommend candidates for employed executive officer and operating officer.
- Directors of the Board who also serve as entrusted executive officers (senior managing officers and above) participate in Human Resource Promotion Council meetings, where each director of the Board discusses the selection of candidates, upon which the President, Executive Officer determines the appointment plan and submits it to the Board of Directors for approval.

Division	Personnel Affairs and Remuneration Committee supervises the selection and dismissal process.		Human Resource Promotion Council (largely composed of internal directors) deliberates on selection and dismissal, personnel allocation, and training.	
	Directors of the Board who also serve as entrusted executive officers (Senior managing officers and above)	Entrusted executive officers (Managing officers)	Employed executive officers	Operating 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 of the Board 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	8	10
Division of Development Business	Toru Ishii	Takehisa Yanagi	3	1
Business Strategy Division	Yoshihiro Nakai	Kohei Hirota	3	3
Division of Finance and ESG	Yosuke Horiuchi	Haruhiko Toyoda	5 (1)	0
Division of Administration and Human Resources	Satoshi Tanaka	Osamu Minagawa Keizo Yoshimoto	2	1
Division of Technology and Production	Toshiharu Miura	Kohei Joki Masaru Noma	4 (1)	5

Note: Figures in parentheses are the number of female officers as of June 1, 2022.

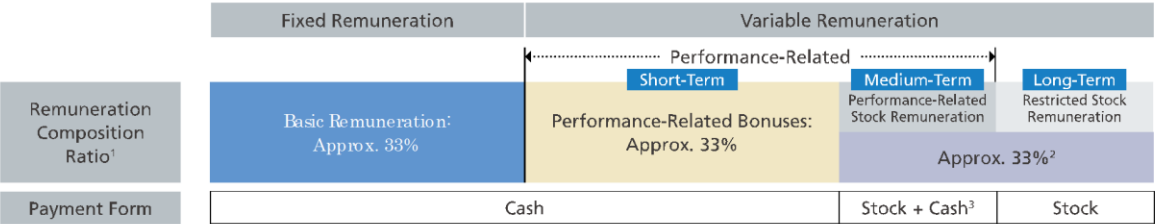


Officer Remuneration

Remuneration and Incentive Remuneration Framework for Directors of the Board (Excluding Outside directors of the Board)

Type of remuneration		KPI	Outline and reasons for selection of indicators for performance-related remuneration
Fixed	Basic remuneration	—	The amount shall be determined according to criteria including representation rights and position, and shall be paid on a monthly basis.
	Short-term	Performance-related bonuses	Consolidated ordinary income
	Medium-term	Performance-related stock remuneration (PSU)	ROE and ESG management indicators
Variable	Long-term	Restricted stock remuneration (RS)	—

Image of Remuneration Composition Ratio for Representative Directors of the Board at Base Performance



1. 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.

2. The composition ratio of performance-related stock remuneration to restricted stock remuneration is approximately 1:1 (at base performance).

3. 50% of the performance-related stock remuneration will be paid in cash for the purpose of appropriation to funds for tax payments.

ESG Management KPI and Target Value for Performance-Related Stock Remuneration for the Fiscal Years Ending January 31, 2021 through January 31, 2023 (PSU1)

ESG Management Indicators		Numerical Target (January 31, 2023)	Weighting
Environment	Ratio of detached ZEH homes	90%	40%
	Number of Sha Maison ZEH units	2,500 per year	
Social	Number of female managers	260	30%
	Take-up rate for eligible male employee childcare leave	98%	
	Annual paid leave take-up rate	60%	
Governance	Reviewing the overall design of the governance system	Strengthen the effectiveness of the Personnel Affairs and Remuneration Committee, review the role of Management Meetings, reform the executive officer system	30%
	Enhancing response to the Corporate Governance Code	Improve disclosure through third-party reviews (comparison with TOPIX 100 companies)	
	Increasing integrity at business management level	Create an integrity management training system for all employees in positions of responsibility	

ESG Management KPI and Target Value for Performance-Related Stock Remuneration for the Fiscal Years Ending January 31, 2022 through January 31, 2024 (PSU2)

ESG Management Indicators		Numerical Target (January 31, 2024)	Weighting
Environment	Ratio of detached ZEH homes	90%	40%
	Number of Sha Maison ZEH units	4,000 per year	
Social	Number of female managers	280	30%
	Take-up rate for eligible male employee childcare leave	98%	
	Monthly average working hours	175 per month	
Governance	Enhancing response to the Corporate Governance Code	Improve disclosure through third-party reviews (comparison of TOPIX100 companies)	30%
	Strengthening Group governance	Group company administrative regulations and effectiveness of governance-related human resource measures	

Four Key Points


- ✓ With the ISSB's approach to ESG disclosure in mind, ESG initiatives are reported in five areas: Governance, Strategy, Risk Management, Indicators and Targets, and Initiatives
- ✓ Roundtable Discussion on ESG: Presents **specific initiatives and future tasks**
- ✓ **TCFD** incorporation
- ✓ Disclosure on a **detailed and broad range of topics** that also considers rating agencies

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### Roundtable Discussion on ESG

Working to Improve Corporate Value and Business Value as a Leading Company in ESG Management

The Sekisui House Group established the ESG Management Promotion Headquarters in June 2020. For the Group, ESG management is simply a way of putting its corporate philosophy into practice. By promoting it at all Group companies, we will make clearer, both inside and outside the Group, our aim of becoming a leading company in ESG management. In this roundtable discussion, the chairpersons of the three subcommittees responsible for promoting ESG management (Environmental Subcommittee, Social Improvement Subcommittee and Governance Subcommittee) exchanged opinions on the roles of each subcommittee, their initiatives and progress to date, and medium-to-long-term issues for ESG management.



**Toshiya Chikada**  
Chairperson of the Environmental Subcommittee  
Executive Officer, Head of Environmental Reporting Department, Global Warming Prevention Promotion Office



**Miwa Yamada**  
Chairperson of the Social Improvement Subcommittee  
Executive Officer, Head of Diversity and Belonging Promotion Department



**Atsushi Yoshida**  
Chairperson of the Governance Subcommittee  
Executive Officer, Head of Investor Relations Department

**Q: What is Sekisui House's approach to ESG management?**  
—ESG management is not merely one facet of what Sekisui House does; rather, what Sekisui House does is one facet of ESG management.

**Yoshida:** In 2020, Sekisui House set forth its global vision to make home the happiest place in the world. Considering ESG management to be key to realizing this vision, we established the ESG Management Promotion Headquarters. We are aware of the importance of instilling ESG management all the way down to the employee level, as one aspect of re-examining the fundamentals of ESG. This is why in promoting ESG management, our respective subcommittees consider initiatives that have been broken down into three categories: senior management, office-level management, and employee-level management.

**Yamada:** One line in Sekisui House's code of conduct states, "We will wish for the happiness of others, and make their joy our own." To me, ESG management is just a matter of putting the corporate philosophy into practice. In other words, the things that Sekisui House has been doing as a matter of course in its business operations already lead to ESG management. The Company has long stated that the happiness of its employees is the foundation of its management. Employee happiness sets in motion a cycle that leads to the happiness of customers and society, and ultimately to the happiness of all stakeholders.

**Chikada:** To realize our global vision, we set the goal of being a leading company in ESG management. But it is too easy to simply believe that putting our corporate philosophy into practice will result in achieving that goal. I therefore think it will be useful to concurrently align the entire Group under the stance that what Sekisui House does is one facet of ESG management. Structuring the idea in that way makes it simpler and more understandable, and it can also be used as a basis for judgment in various situations, so I think it will help employees understand ESG management. In promoting ESG management, it is very important to explain it in a way that is easily understandable, rather than simply disseminating our beliefs.

**Q: What are some initiatives of the ESG Management Promotion Headquarters, and what are their features?**  
—Initiatives of the ESG Management Promotion Headquarters encompass three interconnected themes: participation by all employees; forward-thinking initiatives; and improvement of our external evaluation.

**Yoshida:** For participation by all employees, the ESG Management Promotion Headquarters' first step was to conduct dialogue on ESG among employees. The Group conducts business by setting target items to be addressed, coming up with creative ideas for achieving those targets, and getting all employees to work together toward them. To give greater impetus to these efforts, it is important for employees to act on their own volition and to make efforts to understand each other. These things can be achieved by increasing opportunities for communication—that is, through ESG dialogue. We conducted dialogue on how to make employees, customers and society happy. Everyone had opinions about what makes them happy and accepted what others had to say without taking a confrontational stance, which gave rise to reinvigorated communication. I strongly sense that this initiative has been a breath of fresh air in the Group.

**Chikada:** The establishment of the ESG Management Promotion Headquarters and the start of various new initiatives that encompass all employees, such as ESG dialogue, have undoubtedly engendered a Group-wide sense that things are changing. Until ESG dialogue, there certainly had never been an opportunity for all employees to discuss happiness during working hours. I have heard from people that they feel the change happening in the Group. In addition, our measures to spread ESG management have been successful, including moving the Group newsletter to the intranet to

E

Environment

Page 102-127

- Contributing to a Decarbonized Society
- Disclosure in Line with TCFD Recommendations
- Biodiversity Conservation
- Resource Recycling
- Water
- Supply Chain Management
- Other Environmental Management

S

Social

Page 128-162

- Customer Initiatives, Technology Development and New Business Creation
- Supply Chain Management
- Coexisting with Local Communities
- Developing Human Resources
- Diversity and Inclusion
- Happiness Health Management
- Respect for Human Rights
- Occupational Health and Safety

G

Governance

Page 163-171

- Strengthening Our Sustainability Governance System
- Promoting Compliance
- Strengthening Risk Management

indicates items newly disclosed, items with substantially updated content, etc.



## Large-scale scenario analysis and strategy review for all businesses

### Disclosure of financial impact of major risks and opportunities and their measures

Table 2. Major risks, potential financial impacts, and responses

[Transition risk] Introduction of carbon pricing			
Impact	Carbon pricing has been widely adopted around the world. In Japan, the introduction of a carbon tax is being considered by the government, and may be introduced relatively soon.	Financial impact	Assumed time
		High	Medium-term
Response	The Group as a whole and its suppliers have a long way to go in order to decarbonize their business activities in the medium term, and if a carbon tax or emissions trading unit price of around 10,000 yen/t-CO <sub>2</sub> is imposed, the impact will be significant. We have already started a variety of initiatives throughout the value chain, including promotion of RE100, energy conservation in offices and production facilities, and reduction of CO <sub>2</sub> emissions in the building materials manufacturing stage through collaboration with suppliers, and we intend to reduce this impact as quickly as possible.		
[Transition risk] Rising housing prices and a shrinking market			
Impact	In the long term, the new construction market itself may shrink as housing prices soar to comply with stricter regulations required for carbon neutrality, and as the number of houses with poor energy efficiency and seismic resistance decreases, and more high-quality housing stock is being passed on.	Financial impact	Assumed time
		High	Long-term
Response	Because our efforts are ahead of the curve, the impact on regulatory tightening in the short to medium term is expected to be small. However, in response to further regulatory tightening in the long term, we will need to work systematically on the development of cost-competitive decarbonized housing. In addition, we intend to strengthen our supplied housing business, in preparation for the contraction of the new construction market.		
[Transition risk] Decline in rental business revenues due to market changes			
Impact	Managed properties that do not have sufficient decarbonization performance will lose competitiveness, leading to lower occupancy rates and rents.	Financial impact	Assumed time
		High	Long-term
Response	We will strive to increase the ratio of ZEH units in managed properties and promote decarbonization remodeling of non-ZEH units, in order to maintain and increase the value of rental housing that appeals to renters.		
[Transition risk] Decline in rental business revenues from managed properties at a high risk of disasters			
Impact	In the event of a significant rise in temperature, an increase in river flooding and storm surges is expected in Japan. This could lead to a decline in occupancy rates and rents of managed rental properties in certain areas, such as low-lying areas and areas near rivers.	Financial impact	Assumed time
		Medium	Long-term
Response	We recognize this as an issue, and are continuing to study this issue by checking government hazard maps and understanding the hazards in areas where construction is planned.		

[Transition risk] Costs required to decarbonize business activities			
Impact	In order to decarbonize our business activities, various costs will be incurred, such as converting business locations to ZEH, electrifying Company vehicles, and making production facilities energy-efficient.	Financial impact	Assumed time
		Low	Medium-term
Response	The Company is systematically promoting decarbonization in all of its business activities, and the risk of incurring major costs that would affect its business is low at this point.		

[Physical risk] Damage to Company			
Impact	Nationwide weather disasters could damage asset buildings and other business locations, product impossible to continue operations and incurring significant costs.	Financial impact	Assumed time
		High	Long-term
Response	The Sekisui House Group operates throughout Japan system that allows its business to continue through including the head office functions. Such BCP measures are updated as necessary. The amount of damage to five factories in Japan hazard maps or internal flooding simulations, and it is the potential to suffer inundation damage. A major Kanto Factory, which is expected to suffer the most insurance policy that is already in place. However, assuming an increase in the severity of disasters throughout Japan, our business is expected to have disaster resilience.		

[Physical risk] Extension of supply chain			
Impact	The frequency of supply chain damage and difficult increase due to the intensification of disasters associated with increase in extremely hot days and heavy snowfalls. In for the same reasons, and administrative costs may increase.	Financial impact	Assumed time
		Medium	Long-term
Response	Although the Company already has measures in companies' factories and transportation routes, and in anticipation of an increase in the scale and frequency of disasters, we will continue to study how to deal with them.		

#### Other risks

Before purchasing land for resale, we use hazard maps such as condominiums, we also refer to hazard maps due to climate change is growing year by year, and the Sekisui House Group will continue to study how to deal with them.

Table 3. Major opportunities, potential financial impacts, and responses

[Major opportunity] Increase in ZEH/ZEB orders			
Impact	The Japanese government has set goals that include reducing greenhouse gas emissions in the residential sector by 66% compared with the FY2013 baseline by 2030, which positions ZEH and ZEB as key measures. In addition, demand for ZEH and ZEB is expected to increase in the future, as consumers become more ethical and businesses become more decarbonized.	Financial impact	Assumed time
		High	Medium-term
Response	The ratio of our detached ZEH homes exceeds 90%, and ZEH is already a standard specification. Currently, we are also beginning to actively promote ZEH in rental housing and condominiums. We will expand ZEH and ZEB orders for the entire Group by leveraging our track record of receiving the largest number of ZEH orders in Japan.		
[Major opportunity] Increase in rental business revenues by converting managed rental properties to ZEH			
Impact	The Japanese government intends to require ZEH-level energy efficiency in all new buildings constructed in and after 2030. In addition, ZEH conversion of rental housing will eventually become more common, so the need for ZEH rental housing could increase dramatically as consumers become more and more aware of ethical concerns.	Financial impact	Assumed time
		High	Medium-term
Response	Since the completion of Japan's first rental housing that meets the ZEH standard for all units in 2018, we have been working to promote ZEH units that can appeal to residents. The Company has already received orders for more than 10,000 units, and is preparing for a future expansion of demand for rental ZEH units, especially among ethical consumers.		
[Major opportunity] Increase in orders for decarbonization remodeling			
Impact	The government's goal of reducing greenhouse gas emissions in the residential sector by 66% compared with 2013 by 2030 requires energy-saving renovations to housing stock, suggesting a range of policy support measures. For this reason, orders for decarbonization remodeling are expected to increase.	Financial impact	Assumed time
		High	Medium-term
Response	Orders for insulation retrofitting, power generation, and storage batteries are on the rise as a result of customer requests and remodeling proposals. In particular, Idocoro Dan-netto, a partial insulation improvement concept centered on residential areas, has been well received because the cost and construction period are a small burden for the customer. These remodeling proposals also highlight the point of enhancing disaster resilience. We will continue to promote remodeling proposals that are realistically feasible for widespread use.		

[Major opportunity] Reduction of RE100 promotion costs			
Impact	Achievement of RE100 is essential to the realization of a decarbonized society. However, procuring renewable energy usually entails significant costs.	Financial impact	Assumed time
		Low	Medium-term
Response	Through the Sekisui House Owner Denki initiatives, renewable energy power is procured at almost no cost. Considering the possibility of the electrification of business energy in the future, such as a shift to EVs for Company vehicles, the cost of electricity may increase with conventional procurement methods. The cost reductions achieved through the Sekisui House Owner Denki initiative can be utilized for other purposes, and can therefore be regarded as an opportunity.		
[Major opportunity] Decarbonization of the production stage			
Impact	In decarbonizing the entire value chain, efforts by suppliers to reduce emissions at the construction material manufacturing stage are fraught with difficulties.	Financial impact	Assumed time
		Low	Medium-term
Response	Since a high percentage of construction materials, such as exterior walls and frameworks, is produced in-house, it is easier to reduce greenhouse gas emissions from material production through planned technological development and capital investment than when relying on external procurement, thus reducing the impact of carbon taxes. The cost reductions are considered as an opportunity, because they can be leveraged for other purposes.		

#### Confirmation of the resilience of the Sekisui House Group's existing strategies

As a result of the review, the Sekisui House Group's strategy has already begun to address decarbonization and extreme weather events in all of its business activities, and it has been determined that no fatal impacts are currently apparent, either in terms of transition risk to a decarbonized society or physical risk due to climate change.

Detailed disclosure of financial and non-financial data, including ESG-related data

Material balance (monitoring of environmental impact of business activities in FY2021)

To make its environmental-conservation activities as effective as possible, the Sekisui House Group monitors and reports on environmental impacts at each stage of the housing-product lifecycle, including development and design, factory production, construction and demolition in Japan and overseas.

INPUT

Energy176

Electricity49

Gasoline11

Natural gas

Propane gas

Kerosene

Cold water / hot water / steam15

Water248

Municipal water

Business activities

Develop and des

OUTPUT

CO2 emissions4

Waste2

(Recycli

Paper

Other

Location:

8 Ohara, Shikama-cho, Kami-gun, Miyagi

Establishment:

August 1997

Total factory area:

121,458 m<sup>2</sup>

Factory floor area:

60,420 m<sup>2</sup>

Max. production

300 houses/month

Major energy and material consumption

Energy and resources	Unit	Consumption
Electricity	MWh/year	5,263.7
Kerosene	kd/year	0.4
Light oil	kd/year	3.2
LPG	t/year	1,037.9
Municipal water	thous. m <sup>3</sup> /year	17.2

Amount of waste generated and recycling rates

Tohoku Factory	Amount (t)	Recycling rate	Material recycling r
Glass/ceramics	1,837.5	100%	100%
Metal	301.3	100%	100%
Sludge	87.8	100%	100%
Wood	8.9	100%	0%
Other	54.4	100%	49.4%
Total	2,289.9	100%	98.4%

Discharge into waters (by destination)

Emissions	Unit	Rivers	Sewers	Total
Amount discharged	thous. m <sup>3</sup>	17.6	—	17.6

Notes

1. We have changed the method for recognizing CO2 emissions from consumption was 160,399 MWh, and the CO2 emissions were.

2. Emissions from the head office building

Notes 1 The unit of energy consumption (total) changed from GJ

Notes 2 All the figures for waste from business activities include

Notes 3 Scope: The subjects of this survey are Sekisui House (not

Period: The data is for FY2021 (from February 2021 to J

Air analysis results

Financial Analysis

Operating Results

Consolidated net sales increased ¥142.6 billion year on year, or 5.8%, to a record high ¥2,589.5 billion, due to increased sales from all business models.

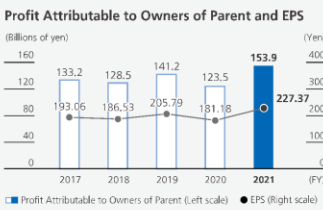
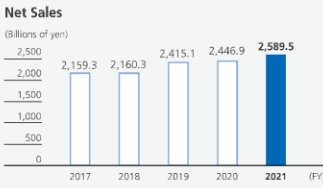
Consolidated operating income increased ¥43.6 billion year on year, or 23.4%, to a record of high ¥230.1 billion, due to increased income in the overseas business resulting from housing sales and progress in property sales in the United States, as well as contributions from the built-to-order business and the supplied housing business.

Consolidated ordinary income increased ¥45.3 billion year on year, or 24.6%, to a record high of ¥230.0 billion, mainly due to the increase in operating income.

Profit attributable to owners of parent increased ¥30.3 billion, or 24.6%, to ¥153.9 billion, another record high.

Below are the figures for energy consumption, water

Initiatives to reduce CO2 emissions from production

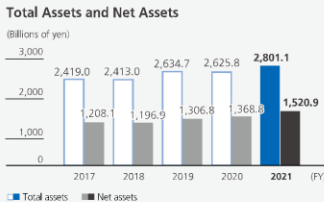


Financial Position

Total assets as of January 31, 2022 increased 6.7% from a year earlier to ¥2,801.1 billion. Current assets increased 9.7% to ¥1,952.7 billion, primarily due to an increase in real estate for sale. Non-current assets increased 0.4% to ¥848.4 billion due to an increase in property, plant and equipment and other factors.

Total liabilities increased 1.9% from a year earlier to ¥1,280.2 billion, mainly due to an increase in borrowings and income taxes payable, despite a decrease resulting from the redemption of bonds.

Net assets increased 11.1% from a year earlier to ¥1,520.9 billion, mainly due to an increase in retained earnings resulting from the ¥153.9 billion in profit attributable to owners of parent.



Cash Flows

► Cash Flows from Operating Activities  
Net cash provided by operating activities decreased ¥73.9 billion to ¥118.0 billion due to factors including profit before income taxes of ¥234.3 billion.

► Cash Flows from Investing Activities  
Net cash used in investing activities increased ¥18.2 billion year on year to ¥113.7 billion. Purchases of property, plant and equipment, including real estate for lease, decreased ¥4.5 billion to ¥82.9 billion.

► Cash Flows from Financing Activities  
Net cash used in financing activities increased ¥34.0 billion year on year to ¥111.7 billion. Cash dividends paid decreased ¥3.1 billion to ¥55.6 billion.

