



Section 1

Long-Term Vision and Material Issues

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Message from the President



Advancing stable growth in Japan and proactive growth overseas to provide the added value of happiness worldwide

Yoshihiro Nakai

Representative Director of the Board
President, Executive Officer, CEO

Our Global Vision

Creating happiness for residents to realize enriching lifestyles over increasingly long lifespans

Since its founding in 1960, Sekisui House has constantly been ahead of the curve, solving issues with advanced technologies while accumulating unmatched product strengths.

Looking at our history in 30-year segments, during the first phase, up to 1990, our highest priority was housing that offers safety and peace of mind to protect our customers and their assets. Then, we created new value by making housing proposals aimed at improving resident comfort and eco-friendliness in the second phase, up to 2020.

Now, over the next 30-year phase, until 2050, how can we offer new value? The key is “happiness.” We are still aiming to build on the leading seismic resistance, thermal insulation and energy-saving technologies that we amassed over our first and second phases, but we now seek to provide the added value of happiness. Accordingly, in 2020, we announced our global vision: make home the happiest place in the world.

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Housing is a durable good used over the long term, serving as the foundation of our daily lives. As life expectancies get longer, needs are changing; to realize enriching lifestyles in the era of the 100-year lifespan, it will be increasingly important to offer value through housing in the form of health, connectedness with friends and family, and diverse experiences and skills to support the happiness of residents. In 2018, we established the Human Life R&D Institute, becoming the first company in Japan to launch well-being research. The fruits of this research, apparent in our Family Suite proposals featuring spacious living rooms, are already driving the strong performance of our custom detached houses business. Going forward, we will continue to enhance our understanding in both scientific and theoretical terms of happiness for increasingly diverse families and lifestyles.

At the same time, to deliver happiness to our customers, it is essential that those of us in the housing business (including our families) are happy ourselves. To this end, and with an eye to realizing our global vision, we are implementing a variety of initiatives to support diverse employee workstyles and lifestyles.

Furthermore, contributing to society through our business is our mission as a corporate citizen. Specifically, we aim to become a leading company in ESG management. In particular, we are working to provide new value in

line with the changing needs of customers and society centered on the concepts of “Green First,” aimed at providing eco-friendly products and services, and “Kids First,” aimed at supporting parents and the well-rounded growth of children.

Three years have passed since we established our global vision, kicking off our third phase. Within the context of our 30-Year Vision, however,

that’s only a short time, and there remains much to be accomplished. That said, over these three years of the Fifth Mid-Term Management Plan, we greatly exceeded our initial targets, and I regard this as a strong start to our journey toward realizing the Group’s vision.

Designating Our Material Issues

Our Material Issues Must be Rooted in Universal Values

To better clarify Sekisui House’s mission, in 2022, we revised the material issues we seek to address in order to realize a sustainable future. I believe that material issues must not be temporary concerns of the moment, but issues based on universal values to tackle over 50 or 100 years. In the 1960s, Sekisui House helped secure housing during Japan’s period of rapid economic growth and establish housing stock with high-quality basic functions. Since then, we have consistently pursued safety and peace of mind as well as comfort and eco-friendliness, striving always to evolve our technologies. I believe that these efforts themselves embody our material issues. Accordingly, to realize happiness through housing in the coming era of the 100-year lifespan, we have designated three material issues for our businesses: Creation of high-quality housing stock, contributing to a sustainable society, and diversity and inclusion.

The housing market in Japan is commonly expected to shrink in the future as the population decreases. Looking more closely, however, of Japan’s total housing stock of approximately 62 million units (including vacant houses), about 29 million are detached houses. Of these, approximately 5 million do not meet current seismic resistance standards, while only a shockingly low 11% of existing detached houses meet current standards for thermal insulation.

Japan is very seismically active country with harsh seasonal weather being exacerbated by climate change. Considering this, it seems to me that the social issues that Sekisui House worked to address in its first and second phases are still some way from fully resolved. To promote the spread of

housing with excellent seismic resistance, thermal insulation and energy-saving performance across Japan, we are considering forming partnerships with regional builders to share Sekisui House technologies and thereby create high-quality housing stock.

Beauty that aligns with resident sensibilities is an essential aspect of the value of housing stock. Given the current importance of realizing a circular economy, the sustainability of housing, aimed at carbon neutrality, is another.

Reflecting on the Fifth Mid-Term Management Plan

We focused efforts on social issues and maintained growth even during the COVID-19 pandemic

Shortly after we announced the Fifth Mid-Term Management Plan (FY2020–FY2022), the Japanese government declared a state of emergency over the COVID-19 pandemic. Due to pandemic-related effects, in the plan’s first year, we recorded net sales of ¥2,446.9 billion and operating profit of ¥186.5 billion, well below our targets. However, in the plan’s second year, we made up most of the difference, growing net sales to ¥2,589.5 billion and operating profit to ¥230.1 billion, and in the final year, we greatly exceeded our initial targets with net sales of ¥2,928.8 billion and operating profit of ¥261.4 billion. I believe that this was because our business segment strategies were correct, and these results were achieved thanks to the hard work of all our employees who put those strategies into action.

Amid the pronounced changes in the market environment in recent years, some have expressed doubt over the usefulness of mid-term management plans. However, in an environment of drastic social change year after year, single-year plans limit the scope of planning and can make it difficult to allocate the necessary resources to deal with unanticipated developments. At the same time, a longer-term approach focused on five or ten years presents greater difficulty in predicting future conditions. Mid-term management plans, focused on the coming three years, thus strike a useful balance, expanding the scope of what is achievable while still allowing a reasonable amount of predictability. We therefore give weight to these



Message from the President

plans, which enable us to advance management as planned over the medium term, considering and adjusting to changes in the external environment while effectively procuring and allocating management resources.

Of course, to achieve the plan's targets, it will be important for all employees to share our vision, and for each division and individual to think autonomously and act with creativity and ingenuity.

We designated innovation and communication as a key theme because we will need the ideas of a wide range of employees to innovate in our businesses. I am sure that our many employees working creatively across various business fields are a wellspring of innovative ideas that can transform the Company. To put innovation and communication into practice, we must align the efforts of all employees with our vision while effectively incorporating opinions and suggestions from the front lines and applying them at the tactical level. The Company will not hold back in supporting employees who are working hard; in return, we will expect all leaders to demonstrate integrity, grit and the ability to develop human resources. By creating organizations that nurture employees who embody integrity and can succeed as leaders, I am sure that Sekisui House will evolve into an even more diverse and vibrant company.

Become a Leading Company in ESG Management

Sekisui House's history of working with customers to foster enhanced understanding while promoting ESG management within its primary businesses has now become a major advantage.

Our efforts started small, like using double glazing for south-facing first-floor living room windows, and then expanded with changes like thermal insulation for window sashes and eventually improved thermal insulation for entire homes. We realized houses that emit 30% less CO₂, then 50%. These improvements are thanks to the ongoing efforts of our R&D teams. Building on the achievements of our forebears, we see it as our mission to continue to blaze the trail forward and have therefore designated the goal of becoming a leading company in ESG management.

Today, we have supplied a cumulative total of approximately 70,000 net

zero energy houses (ZEH), and the rate of ZEH among orders received for detached houses reached 93% in the year from April 2022 to March 2023. We are also expanding ZEH to multi-unit housing complexes. I think that having rental housing residents experience ZEH and its environmental contribution first-hand will be important to solving environmental issues more broadly.

In addition, since its launch in 2001, the *Gohon no Ki* Project, which plants native tree species around new builds and the surrounding communities to promote biodiversity, has now been going strong for over two decades. Working with customers, the project has planted more than 19 million trees across Japan. A verification of the project's effects undertaken jointly with the University of the Ryukyus found that it has the potential to lead to a doubling of the number of bird species and a fivefold increase in the number of butterfly species that residential areas attract, proving that it does indeed contribute to biodiversity.

The Formulation of the Sixth Mid-Term Management Plan

Responding to Diversifying Needs and Evolving Technologies

We announced Sekisui House's Sixth Mid-Term Management Plan (FY2023–FY2025) on March 9, 2023. In the plan's final year, FY2025, we aim for net sales of ¥3,676.0 billion and operating profit of ¥318.0 billion.

Looking at the market environment, the number of annual new housing starts in Japan is expected to remain above 800,000 until 2030. As I mentioned earlier, there are many houses in Japan with inadequate seismic resistance or thermal insulation. Promoting rebuilding and remodeling will therefore be a pillar of our business strategy going forward, and I see it as part of our social mission. In addition, amid the diversification of lifestyles and values in the new normal following the pandemic, as well as the increasing severity of natural disasters caused by climate change, I think we will see growing needs for high-quality housing that combines safety and peace of mind with comfort and eco-friendliness.

We must also leverage advances in technology. Digital transformation

(DX) will be at the core of efforts in this area. We have accumulated vast amounts of customer information and design data over more than 60 years. Utilizing this in new businesses and services will be a major focus.

Our target for DX is to support the happiness of housing residents using technology. I think this goal is fully realized in the Platform House Concept–HED–Net, which aims to realize housing that maintains privacy while unintrusively keeping a protective watch over residents.

Focusing on Stable Growth in Japan and Proactive Growth Overseas

"Stable growth in Japan and proactive growth overseas" is not a particularly new concept, but we have designated this focus to emphasize that there is still ample room for growth in the domestic market. This stance aligns with government housing policy, and our track record over the past three years proves that it has been correct.

Overseas, we will advance business mainly in the United States and Australia. Sekisui House boasts industry-leading technologies not only in seismic resistance and thermal insulation, but also durability, soundproofing, stormproofing, fireproofing and all aspects of housing. However, we will need to carefully consider which aspects of performance best match the needs of specific countries and regions. As such, we are advancing deliberations on what kind of proposals will succeed in markets overseas, and this calculation extends to our approaches to providing housing. The pre-engineered housing business model is unique to Japan, so we aim to spread it around the world to achieve our vision of making Sekisui House technologies the global de facto standard.

At the International Builders' Show (IBS), the largest model house trade show in the United States, we built a SHAWOOD wooden-frame house shipped from Japan and equipped it with the latest Sekisui House technologies. It was well received and generated considerable interest among overseas market players.

We will promote business expansion into overseas areas via scale expansion through M&A as well as the transfer of Sekisui House technologies. In

Message from the President

the final year of the Sixth Mid-Term Management Plan, we aim to supply 10,000 homes in the overseas business.

Creating New Services Utilizing Big Data

During the Sixth Mid-Term Management Plan, we aim to realize three main types of DX.

The first is customer relationship management (CRM). We currently have many contacts with customers. We will use DX to advance the integrated management of such contacts, from our first encounter with customers to after-sales services, and provide customer-centric value to enhance satisfaction.

The second is DX for residents of rental housing. The rental housing move-in process is cumbersome and time-consuming, entailing mountains of paperwork and repeated office visits for prospective residents. We aim to solve these issues with one-stop service. Using a blockchain-linked website, we seek to revolutionize the entire flow of processes leading to move in and thereby reinforce overall housing services.

The third is the Platform House Concept, which provides services centered on health, connectedness and learning. PLATFORM HOUSE touch, the first phase of this concept, is a smart home service that uses a floor plan-linked interface and has been well received. We are also planning to install homes with additional services that use data on living environments and lifestyles. These include the HED-Net in-home early detection network for acute illnesses, which uses unobtrusive contact-less sensors to avoid putting stress on residents.

In terms of ESG management, I think that advancing efforts through our main businesses with the participation of all employees will continue to be crucial. The housing we build contributes to the creation of high-quality housing stock and, in turn, the realization of a circular economy. To become and remain a leading company in ESG management, we will thoroughly reinforce the mindset that the Company does not merely participate in ESG, but exists within ESG.

In addition, to realize a sustainable society, we must build positive

relationships with the environment, human resources, customers and local communities. The houses we build have more than 10,000 components, so we can only accomplish our goals related to CDP forests (a program for requesting the disclosure of information on forests), SBT (greenhouse gas emissions reduction targets) and realizing a circular economy through collaborative efforts with suppliers. We are encouraging our suppliers to acquire SBT validation and participate in RE100, and have launched initiatives to support supplier decarbonization by sharing our expertise. We are fortunate to have strong relationships of trust built over many years with suppliers, which have enabled us to successfully coordinate our efforts.

The bonds we have with our suppliers as “a community with a common destiny” originate from the switch to direct construction with the establishment of Sekiwa Construction (now Sekisui House Construction) about ten years after Sekisui House was founded. By advancing homebuilding with customers directly, without going through an agency or sales company, we will continue to work with suppliers to address issues and take action to build a sustainable society.

Human Capital Management

Focusing on Innovation and Communication to Increase Human Resource Value and Social Value

The enhancement of human resource value is a driver of corporate growth. Sekisui House has defined this value with a unique formula: employee autonomy × alignment of efforts. Human resource value will be highest when every employee is highly autonomous while also aligned with the direction of the organization.

To promote self-directed career development, it will be crucial for employees to use the resources of the Sekisui House Group while autonomously taking the initiative to continuously develop their careers. To this end, we will work to create environments and mechanisms, including the personnel system, that enable employees and the Company to realize sustainable growth together. The role of aligning the efforts of our employees

will fall to leaders with the ability to practice innovation and communication. Indeed, leaders with strong integrity who can convey and spread the Company's vision and strategy will be essential.

Based on our material issue “diversity and inclusion,” we will work to create environments and systems that allow all employees to be themselves and exercise their abilities to the fullest, regardless of disability, age, gender, nationality or other such factors. Furthermore, we are proactively implementing and operating highly flexible work systems that enable diverse workstyles.

Sekisui House's fundamental philosophy is “love of humanity,” which entails wishing for the happiness of others and making their joy our own. It is our corporate mission to provide value to society based on growth strategies focused on the residential business domain. Guided by the spirit of love of humanity, we will fulfill our role as a housing manufacturer of providing happiness while aiming to be a leading company in ESG management as we focus on innovation and communication to advance dialogue and communication with our stakeholders across diverse media and venues.

The COVID-19 pandemic has changed the world in many ways. As we gradually get back to normal, we will continue to take precautions for safety while utilizing the experiences of the pandemic to advance our businesses. Please look forward to seeing Sekisui House press onward in pursuit of major growth as we work to achieve the targets of the new management plan.



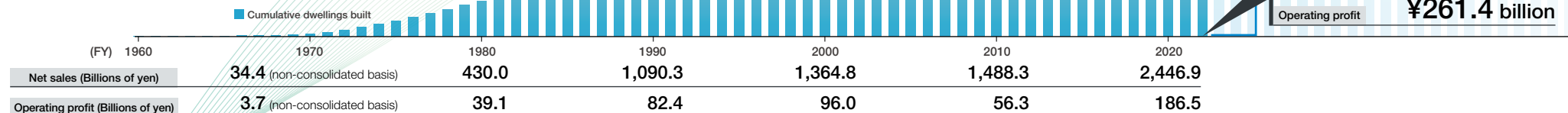
The Building of Sekisui House—Our Corporate Story

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

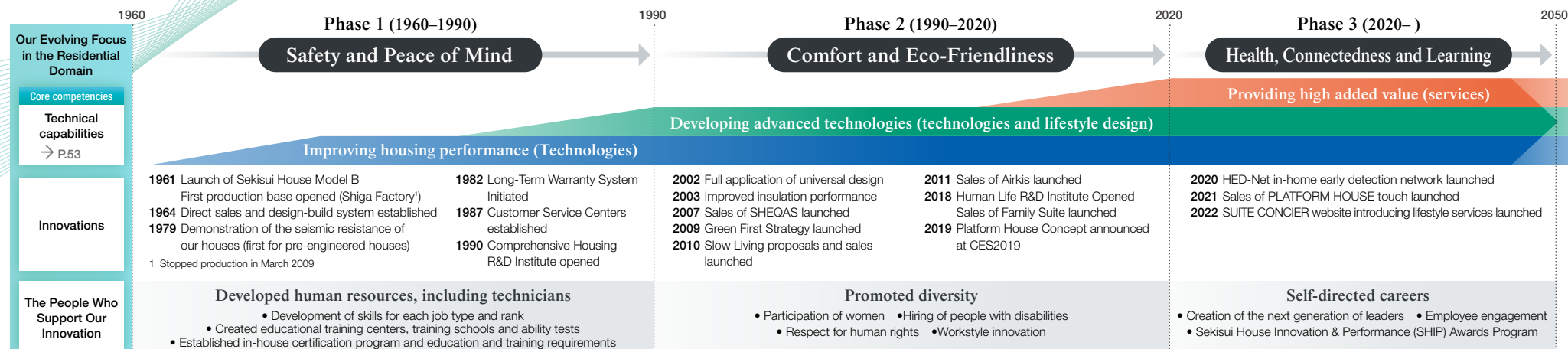
Since its founding, Sekisui House has grown while helping to resolve social issues. From the very beginning, we have been committed to doing so based on our concept of the ideal home and its various roles. Our history can be divided into 30-year phases.

During Phase 1, we worked to improve housing performance with a focus on safety and peace of mind. During Phase 2, we developed advanced technologies to focus on comfort and eco-friendliness. In Phase 3, we continue to build upon our initiatives from the first two phases, even as we move to provide residents with happiness by delivering high added value that focuses on health, connectedness and learning. 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 continue moving forward as a global company to contribute to a sustainable society.



Happiness
in the Era of the
100-Year Lifespan



Phase 1 (1960–1990)

Safety and peace of mind

A 30-Year Focus on High Quality, High Performance, Safety and Peace of Mind in Housing Construction

Sekisui House's 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 popularizing pre-engineered housing with a short construction time-frame. We ensured safety and peace of mind by providing shelter through houses that protect lives and property in Japan, where natural disasters are frequent. We led the Japanese housing industry with industry-first initiatives, such as the adoption of metric specifications.

The Fruits of Our Innovation

Improved housing performance

Innovations

▶ Launch of Sekisui House Model B, Our First Mainstay Product (1961)

We were the first in the Japanese housing industry to introduce metric specifications (using 1,000 mm modules), leading to the creation of more generously proportioned spaces than the use of traditional shaku-based modules (approximately 910 mm). In addition, we enhanced design freedom by developing our Universal Frame System, an original steel frame construction method. We also adopted aluminum window sashes to improve thermal insulation performance.



▶ First Production Base (Shiga Factory) Opened (1961)

We established our first production base to meet 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. Our current production system comprises six locations in Japan and overseas.

1 Stopped production March 31, 2009



▶ Direct Sales and Design-Build System Established (1964)

Sekisui House transitioned from using sales agents to direct sales. We also established our design-build system, in which we take full responsibility from contract until completion and also provide after-sales service. We also established the Sekiwa Construction (now Sekisui House Construction) companies to guarantee high quality by conducting foundation work in-house.



▶ Demonstration of the Seismic Resistance of Our Houses (1979)

We conducted the first set of full-scale vibration experiments on a pre-engineered house at the National Research Center for Disaster Prevention (now the National Research Institute for Earth Science and Disaster Prevention). Repeated verification using the most sophisticated shaking table then available proved that our house was able to withstand powerful earthquakes.



▶ Long-Term Warranty System Initiated (1982)

After the launch of Japan's Housing Performance Warranty Program covering defects in newly built houses, Sekisui House collaborated with the Japan Prefabricated Construction Suppliers and Manufacturers Association to revise the Voluntary Standards for Prefabricated Housing. Based on the belief it was our responsibility as a corporation to address complaints directly, these changes extended the warranty on the framing and waterproofing of new houses from two to ten years.

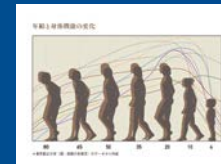
▶ Customer Service Centers Established (1987)

We established Customer Service Centers to provide after-sales service and conduct business activities based on direct dialogue with owners so that they can enjoy living in their homes with peace of mind for many years to come. In 2004, we also opened centers that operate outside of normal business hours to offer emergency repairs and consultations at any time.



Created the Lifetime Housing Concept

Shifted from a focus on housing designed specifically to accommodate the elderly and people with disabilities to housing that can be used by all people for a lifetime. Established the "comfortable living—now and always" housing design concept.



Providing Peace of Mind to Customers

Through direct sales and the design-build system, the long-term warranty system and the Customer Service Centers, we established a framework for providing tremendous peace of mind to customers.

Comprehensive Housing R&D Institute Opened (1990)

We established the Comprehensive Housing R&D Institute to test and evaluate basic aspects of housing performance and conduct R&D of advanced technologies. The institute plays a key role in Sekisui House's technological R&D.

The People Who Support
Our Innovation

We believe that employees are the source of our innovative technologies and services, and that human resource development is essential to our goal of becoming a leading company in ESG management. Since our founding, we have implemented initiatives to develop the human resources who will support Sekisui House and ensure that our technologies are passed on.

Developed human resources,
including technicians

- ▶ Development of skills for each job type and rank
- ▶ Created educational training centers, training schools and ability tests
- ▶ Established in-house certification program 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, Sekisui House led other companies in further enhancing superior technologies in areas such as seismic resistance, durability and thermal insulation to realize comfort—a priority for residents—alongside 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 urban redevelopment projects.

The Fruits of Our Innovation

Developed advanced technologies

Original SHEQAS Seismic Control System

SHEQAS dampers absorb shaking by converting seismic energy into heat. The system can reduce building deformation by more than 50%² and maintains its effectiveness even after multiple large earthquakes or aftershocks.

² In comparison to Sekisui House's seismic resistant structures without the SHEQAS system



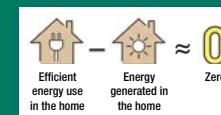
Airkis High-Quality Indoor Air System

This system reduces levels of airborne chemicals (such as formaldehyde) to levels safe for children, who are the most sensitive, while providing ventilation and air purification to create a comfortable indoor air environment.



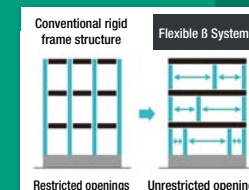
Green First ZERO (ZEH)

Our Green First houses have now evolved into net zero energy houses (ZEH).



Flexible β System

These heavy-gauge steel rigid structures use high-strength pillars and beams to eliminate the need for multi-story pillars. Pillars can be positioned freely on each floor, enabling flexible floor plans with such features as corner windows.



Innovations

In addition to addressing the need for housing that provides shelter offering safety and peace of mind, we continued to hone our wide-ranging technologies to develop the most sophisticated approaches to meeting residents' needs for comfortable living.

▶ Full Application of Universal Design (2002)

Drawing on our lifetime housing concept, we apply Sekisui House Universal Design (SH-UD) to all of our detached houses to make daily life easier for residents. Since 2010, we have evolved these efforts into smart universal design, an approach that also incorporates comfort. We also commenced efforts to develop human resources with the skills to advance housebuilding from a universal design perspective, and have since focused on providing comfort through design.

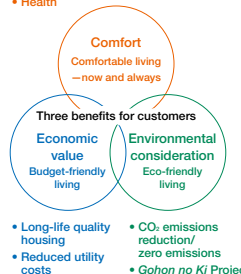


▶ Improved Insulation Performance (2003)

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



- Safety, peace of mind
- Health



- Long-life quality housing
- Reduced utility costs
- CO₂ emissions reduction/zero emissions
- Gohan no Ki Project



▶ Slow Living Proposals (2010)

We launched sales of Slow Living proposals that connect indoor and outdoor space. Using a scientific approach, our analyses of comfort led to the development of large sliding glass doors with fully recessed bottom sashes that open to create a large continuous space from inside the house to outside under the eaves.



▶ Human Life R&D Institute Opened (2018)

The Human Life R&D Institute studies "houses where happiness grows the longer you live there." It conducts surveys and research on living and lifestyles with the aim of fostering well-being through intangible value. This research promotes next-generation housebuilding based on the integration of technologies and lifestyle design to address diversifying lifestyles.

Houses where happiness grows the longer you live there

The People Who Support
Our Innovation

We are advancing a variety of initiatives in line with our belief that promoting employee diversity will encourage innovation and communication and thus help foster a vibrant culture across the Group, leading to further enhancement of corporate value.

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



Promoted diversity

Phase 3 (2020–)

Health, Connectedness
and Learning

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

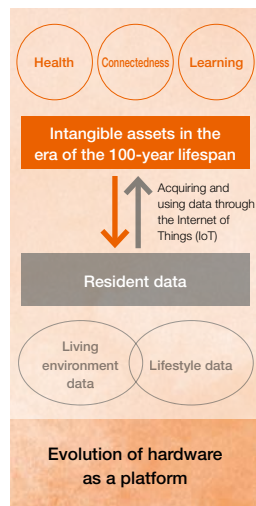
The COVID-19 pandemic has increased time spent at home and changed lifestyles. This has led to growing interest in and demand for home ownership and caused living-related needs to diversify. As we enter the era of the 100-year lifespan, Sekisui House will accelerate the provision of new value through the integration of technologies, lifestyle design and services.

The Fruits of Our Innovation

Providing high added value

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 new initiatives that are closely attuned to the lives of residents.



▶ The Use of IoT Technology

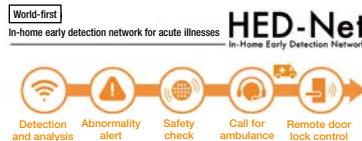
Our proactive use of IoT technology enables us to create high-quality, high-performance housing while improving productivity. We are using digital technologies to transform our businesses in order to meet diversified housing needs.

▶ The Platform House Concept

To propose 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. Through Platform House, we will install homes with services related to health, connectedness and learning that are tailored to each resident.

—HED-Net In-Home Early Detection Network for Acute Illnesses (2020)

HED-Net, is the first service in the world that uses contact-less sensors installed in the home to detect heartbeat and respiration and send an alert to emergency call centers for safety confirmation in the event that an abnormality is detected. We are currently advancing pilot tests toward commercialization.



—PLATFORM HOUSE touch (2021)

PLATFORM HOUSE touch is the first product launched under our Platform House Concept. This smart home service employs a floor plan-linked interface to enable the remote control of home devices from inside or outside using the big data of the house.



—SUITE CONCIER (2022)

SUITE CONCIER is the second product launched under our Platform House Concept. This website introduces an array of services based on the four themes of health, connectedness, learning and living (such as medical consultations, online foreign language lessons, and art rental) to increase the experience-based value that contributes to customer well-being.

Family Suite

Family Suite integrates advanced technologies with lifestyle design to realize a wide-open space that breaks away from the living room, dining room and kitchen (LDK) configuration that is typical in Japan.



SMART-ECS

Combining three systems for zoning, ventilation and air purification, SMART-ECS keeps air inside the home clean while also controlling temperature.

Integration of technologies, lifestyle design and services

We are integrating technologies and lifestyle design proposals with the Platform House Concept to install housing with services related to health, connectedness and learning.

The People Who Support
Our Innovation

We are committed to supporting the self-directed career development of employees and conducting initiatives to foster an innovative corporate culture.

Self-Directed Careers

- ▶ Creation of the next generation of leaders
- ▶ Employee engagement
- ▶ Sekisui House Innovation & Performance (SHIP) Awards Program

SHIP

Sekisui House
Innovation & Performance
Awards

Sekisui House's Material Issues

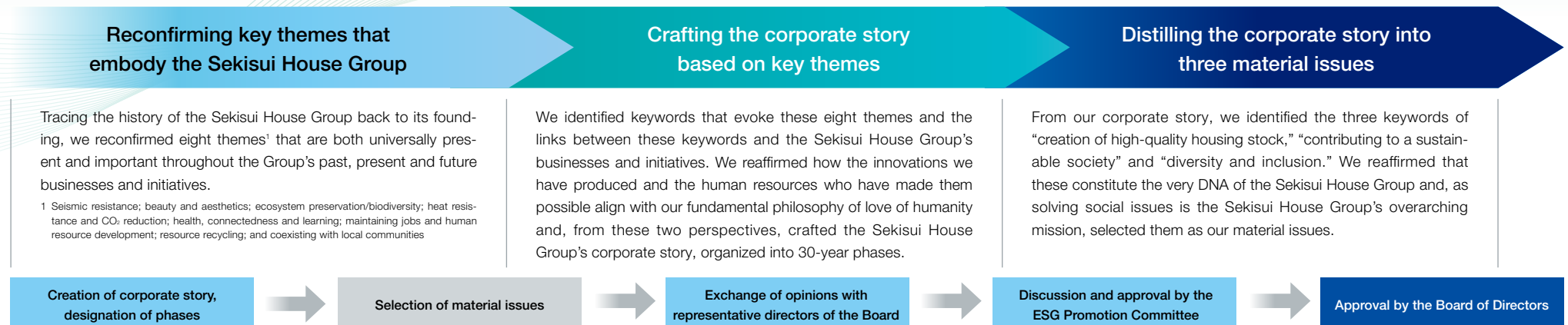
Sekisui House contributes meaningfully to resolving environmental and social issues through its businesses. In 2022, we revised our material issues in line with an update of our corporate story after reexamining the impacts of our businesses that are both important to our stakeholders (such as customers, business partners, employees, shareholders, investors and local communities) and significant for the economy, environment and society.

Since day one, our businesses have created corporate value while addressing material issues. This is the source of our originality and our strength.



Process of Identifying Material Issues

Our material issues: Encompassing the Group's key tasks from its founding to the future as well as its social mission



Sekisui House's
Material Issues

Group Vision and Material Issues

The Sekisui House Group conducts various businesses to create unique value based on its Corporate Philosophy.

Now, under the global vision we announced in 2020 to make home the happiest place in the world, we aim to create homeowner value in the era of the 100-year lifespan as we steadily transform into a global company that offers integrated technologies, lifestyle design and services based on the residential domain.

Moreover, in anticipation of accelerating changes in social conditions, we have established Sustainability Vision 2050, which sets forth medium-to-long-term goals, issues and targets for the Sekisui House Group to pursue in order to sustainably create value together with its stakeholders. By reflecting this vision in our business strategies, we are working to improve both our corporate value and value for society.

Through our business activities, each Sekisui House Group employee puts into practice our philosophy of love of humanity.

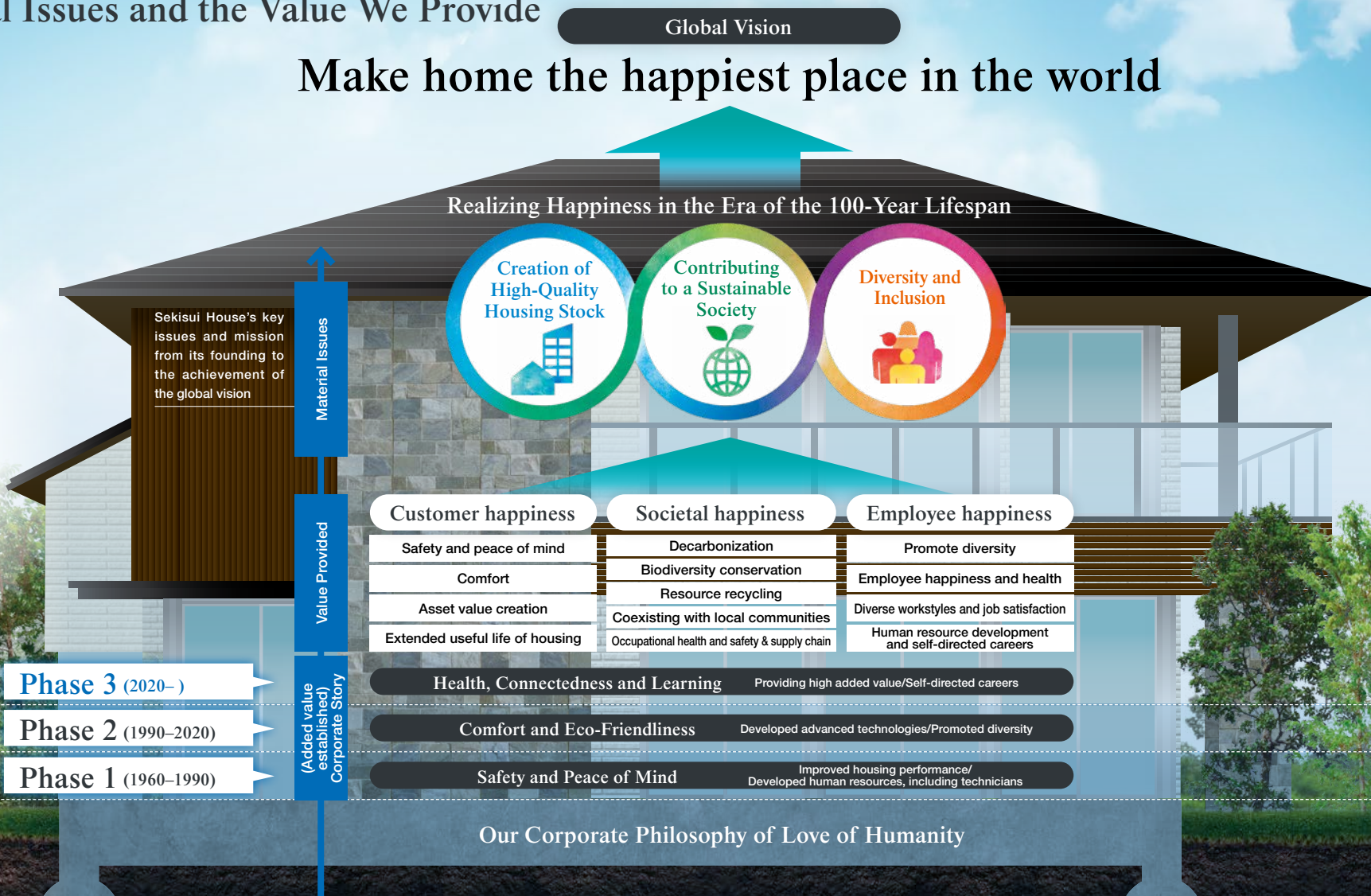


Sekisui House's
Material Issues

Our Material Issues and the Value We Provide

Since its founding, Sekisui House has delivered wide-ranging value as part of its unwavering commitment to customer happiness, societal happiness and employee happiness through its businesses based on its Corporate Philosophy of love of humanity. Sekisui House's value to society lies in all we have done over our history of more than 60 years, which is also closely related to our material issues.

Based on this understanding, in 2022 Sekisui House identified the 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.



The Sekisui House Technology and Mindset Behind Our Material Issues

Creation of High-Quality Housing Stock

Technology to Improve Housing Performance Creates Safety and Peace of Mind

Sekisui House focuses intensely on the ground and foundation, which are key to the useful life and precise construction of a house. The prevalence of soft ground in Japan necessitates investigation of the ground that supports a structure's foundation, but expensive and large-scale boring surveys prior to the construction of detached houses were not common in the past. Sekisui House addressed this situation by initiating preliminary ground surveys at construction sites in 1976 using Swedish weight sounding tests, which are now the norm. We were the first private housing manufacturer in Japan to attempt this approach.



We have been researching foundation methodologies since 1972 and developed our 1260 Foundation in 1974. This approach involves a single pour of ready-mixed concrete into a metal foundation frame form, and results in excellent uniformity, strength and construction efficiency. We then turned to research and development to improve the consistency of quality, reduce labor and enhance durability. In 1992, we launched our proprietary 1660

Foundation that features a direct joint between framing and slab. As a result, none of our buildings were completely or even partially destroyed by large seismic events such as the Great Hanshin-Awaji Earthquake of 1995, and the 1660 Foundation remains our go-to approach.

In addition, Sekisui House has demonstrated the effects of its aseismic technology for realizing safety and peace of mind. Seismic resistance, seismic control and seismic isolation technology are our three types of aseismic approaches, and we have been conducting proof-of-concept tests on the seismic resistance of our buildings since 1979. That none of our buildings were destroyed by the Great Hanshin-Awaji Earthquake demonstrated not only the effectiveness of our foundations, but also the outstanding seismic resistance of our structures. In 2003, we announced a seismic isolated house, and in 2007, we announced our original SHEQAS seismic control system that is certified by the Ministry of Land, Infrastructure, Transport and Tourism.



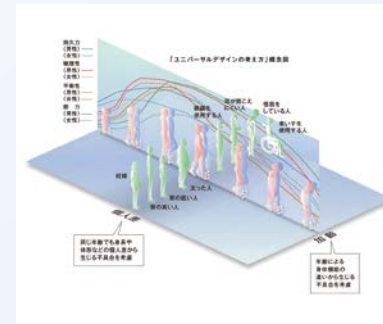
These innovative technologies we develop and put to use also contribute to the extended useful life of housing.

 SHEQAS original seismic control system

Pursuing Comfort with Our Lifetime Housing Concept

Committed to comfortable housing, we improved thermal insulation performance in our CENTRAGE Σ homes by making high-performance, multi-layer, heat-insulating glass standard in 1996. Then, in 1999, we adopted next-generation energy-saving specifications as standard in the GRENIER-DYNE series. We subsequently made these features standard in all detached houses, which has helped to reduce environmental impact. Our considerations for the comfort of all residents, such as making the Airkis high-quality indoor air system standard in all detached houses, have now evolved into our net zero energy house (ZEH).

In 1989, Sekisui House established its lifetime housing concept of “comfortable living—now and always.”



Lifetime housing is durable and allows families to adapt easily to lifestyle changes. It also ensures safety and independence while helping residents respond to mental and physical changes due to aging or illness. This concept's roots go back to our research into housing for the elderly and persons with disabilities beginning in 1975. As a design concept, it is a clear expression of our Corporate Philosophy of love of humanity. We built on this research and experience to establish Sekisui House Universal Design (SH-UD) in 2002. Today, we apply SH-UD that makes living easy in all of our detached houses.

 Sekisui House's Universal Design (Japanese only)

Asset Value Creation through Enhanced Beauty and Branding

In 1973, the number of homes exceeded the number of households in all prefectures of Japan, initiating an era of quality over quantity in the housing market. Sekisui House had been customizing home designs for each customer since its establishment, and in 1971 pivoted to higher-quality pre-engineered housing that addressed customer needs in ways such as upgrading and modernizing its existing design portfolio. In 1978, we began selling our GRENIER series of homes developed with a full-scale marketing program. We complemented our emphasis on


The Sekisui House Technology and Mindset Behind Our Material Issues

tangible features such as performance and construction method with compelling design and lifestyle proposals to brand the series as homes with a beautiful external appearance and way of life.

In 1984, we launched IS FLAT homes, which were first to use our independently developed Dyne Concrete exterior wall materials. Customer response was highly favorable, thanks to the expressive exterior design, texture and sophisticated elegance of Dyne Concrete, as well as its excellent fire resistance, thermal and sound insulation, durability and strength. IS FLAT expressed Sekisui House's vision of housing as a social asset that holds its value, offers affluence and comfort, is suitable for long and narrow or irregular urban lots, and can be passed for a century, from parents to children to grandchildren. In 1987, we launched our best-in-class IS STAGE product that featured improved thermal and sound insulation and expansive interior spaces. Our IS series has continued to develop as a successful brand and flagship product.



The Bellburn earthenware exterior wall panels we released in 2001 suggest fine stoneware pottery, appealing to customers who are discerning about design. Developed for the exterior walls of our SHAWOOD wooden-frame houses, these panels contribute to the upscale image of the SHAWOOD brand.

 [Detached house product information \(Japanese only\)](#)


Town Development Concepts for Increasing Asset Value Over Time

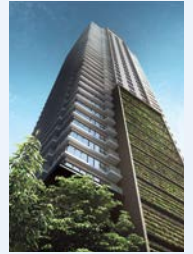
Since initiating full-scale town development, Sekisui House has been committed to creating sustainable towns where asset value increases over the years and residents can live comfortably well into the future. This is the essence of our concept of *keinen bika*—creating a landscape that grows more beautiful over time. Houses form the basis of daily life, and together form a town, which is a setting that supports the lives of the inhabitants. Interaction among the residents of a town nurtures the local community and culture, and eventually the formation of social assets, leading to regional revitalization. Sekisui House therefore complements fundamental town development components, such as building layout plans and road design, with an emphasis on greenery, parks and common spaces as mechanisms that encourage interaction between residents and revitalize



communities. Sekisui House constantly innovates to improve housing performance while developing towns around an ethos of the commons that emphasizes lifestyles with a focus on community connections and the environment. We have consistently improved the sustainability of towns with initiatives that have included people-centered town development in harmony with the environment launched in 1989; town security strategies for living with peace of mind initiated in 2002; initiatives for eco-friendly towns that employ fuel cells launched in 2007; and initiatives to support community formation by planning and providing community spaces and events from 2009.

We also apply the expertise we have gained in community development to Sha Maison rental housing, GRANDE MAISON condominiums, mixed-use development and office building development. We deploy this expertise internationally, and our commons ethos is central to the Gledswood Hills community we designed in Australia. Sekisui House is well known for town development that creates living spaces and environments with consideration for the community and the environment.


 [Sekisui House's town development \(Japanese only\)](#)



Extended Useful Life of Housing for the Era of the 100-Year Lifespan

Sekisui House is extending the useful life of homes through after-sales maintenance and the remodeling businesses as part of providing homes for the era of the 100-year lifespan. We systematized the management of owner information and began visits to owners in 1985, then opened our first customer service center in Tokyo in 1987. We now have 30 customer service centers throughout Japan, reflecting how highly we value our customers. We also entered the remodeling business in 1999 by opening our first remodeling centers in Kanagawa and Osaka. We provide attentive service even after we deliver homes to customers so that they can enjoy living that is “comfortable—now and always” over 20, 30 or even 50 years as their family structure and lifestyle change. To this end, in 2005, we spun off the remodeling business into Sekisui House Remodeling to make lifestyle proposals and consistently provide satisfaction. Collaboration with our customer service centers enhances our ability to make proposals.



 [Robust after-sales support \(Japanese only\)](#)

Contributing to a Sustainable Society



Our Social Mission: From Reducing Environmental Impact to Decarbonization

Sekisui House announced its Environmental Future Plan in 1999 and initiated full-scale environmental measures throughout the Group to fulfill its social mission as a housing manufacturer. The energy used from housing construction through residence and disposal accounted for about 20% of total energy consumption in Japan at that time. We therefore placed the effective use of resources and energy at the center of the environmentally responsible housing strategies we formulated. We began by creating an environmental charter with three basic environmental guidelines at its core: preserving the global environment, improving the living environment and contributing to society. We subsequently established environmental action guidelines to build on our basic guidelines with the following four strategies for specific actionable goals: (1) reduce CO₂ emissions by improving insulation, (2) effectively use resources and reduce waste, (3) improve the value of housing stock by extending the life of buildings and (4) promote community-friendly town development.

Well before the term “decarbonization” came into common use, our action guidelines and strategies for specific actionable goals reflected the climate change issues that have come to the fore worldwide as a result of global warming. They are representative of our corporate commitment and social mission as a housing manufacturer to think about and act on solutions to environmental issues. Today, our basic environmental guidelines and environmental action guidelines are applied in our ongoing environmental initiatives, such as ZEH, to make Sekisui House a leading company in ESG management within the housing industry.

 Sekisui House's environmental initiatives (Japanese only)



Biodiversity Conservation and Resource Recycling through Our Business Activities


Since 2001, Sekisui House has been implementing the *Gohon no ki* Project to promote ecosystem-friendly landscaping and greening to conserve biodiversity through its businesses. “*Gohon no ki*” means “five trees” in Japanese, and the project concept encourages planting native tree species suitable for gardens—three of every five for birds and two for butterflies. One of the goals is to maintain and revive the ecosystem network by connecting residential gardens, admittedly small areas, in residential areas and cities in order to link them with local natural areas such as satoyama, the disappearing native landscape of Japan, thus supporting the habitats and activities of



local fauna. In the more than 20 years since the initiative was launched, over 19 million trees have been planted. In 2021, we employed macro analysis to quantitatively evaluate the effectiveness of this initiative in preserving biodiversity, and shared the results with society at large. In 2022, we held the project's second forum.

Our use of FairWood for sustainable timber procurement is another key initiative to preserve biodiversity. FairWood ensures stable access to sustainable, renewable resources, and we are proactively working with our suppliers to maximize ecosystem networks through our businesses. In addition, in 2007, we formulated and implemented our own set of ten Wood Procurement Guidelines.

In addition, Sekisui House believes it must recycle resources to support the lives of all people. We were among the first in the construction industry to establish resource recycling centers at each of our factories in 2003. In addition to recycling waste and suppressing its generation, we are also focusing on after-sales service and the remodeling businesses so that the materials in housing can continue to be used over the long term as social stock, with the goal of making optimal use of resources throughout the product lifecycle.

 Housebuilding in harmony with the environment (Japanese only)



Diversity and Inclusion



Continually Enhancing Human Resource Development in Step with Evolving Needs

Sekisui House has been focusing on developing its people since its founding in 1960. We initially emphasized on-the-job training through actual work, but in the 1980s, competition in the housing industry intensified, driven by diversifying lifestyles brought on by high economic growth. We quickly accelerated human resource development, including training for sales personnel to meet needs for reinforced sales capabilities.

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 their content. We also have a well-developed in-house certification program to

The Sekisui House Technology and Mindset Behind Our Material Issues

help technicians improve their skills. Certification presently extends to qualified in-house personnel in the design and construction departments, encompassing Chief Architects, Chief Constructors, Structural Planning Specialists and Platinum Specialists. In addition to such initiatives to hone specialized skills, we are currently promoting frameworks to enhance the skills and motivation of all employees to increase their autonomy. An additional personnel development theme is self-directed career development, aimed at nurturing people who can achieve customer satisfaction because they proactively take action to independently develop their own capabilities based on a personal vision of their future. We believe that the alignment of such human resources with the various directions in which the Company is pushing will generate unlimited human resource value.

→ P.187–191 Developing Human Resources



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 runs through our Corporate Philosophy of love of humanity. Formalized in 1989, this love serves as our core value and forms the basis of our contribution to society, to which we all belong.

The spirit of “a community with a common destiny” is not limited to our inner circle. The housing industry depends on wide-ranging cooperation among many people, so strong ties with partner building constructors and other 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. Through 1987, we added schools in Ibaraki, Shiga and Yamaguchi, bringing the total to four locations nationwide.¹ These schools differ significantly from general training centers. They cover not only practical techniques for housing construction, but also subjects ranging from socially responsible behavior and adult education to the spirit of the Sekisui House Group. We believe that the Group's spirit is key to making customers happy, so we must impart it to human resources along with practical skills.

Our unique examination and certification system helps to enhance our construction capabilities. We initiated Chief Technician certification in 1983, then established the Sekisui House Remodeling Meister System 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 constructors.

¹ Currently three locations, following the closure of the Kanagawa school.

→ P.44 Technical and Construction Human Resources Support Our Core Competencies



☞ Sekisui House's construction framework (Japanese only)

☞ Sekisui House's construction business/Sekisui House Construction (Japanese only)

Respect for Diversity and Self-Directed Careers to Make Employees Happy

Employee happiness is essential to make home the happiest place in the world. The workplace is akin to a home for employees, so we seek to make it happy for them by respecting employee diversity, enhancing relevant systems, advancing workstyle innovation and empowering self-directed career development.

Since 2004, Sekisui House has introduced various systems with an emphasis on diverse workstyles. Notable examples are the expansion of the childcare support program in 2006 and the nursing care support program in 2014. We also launched a childcare leave program for eligible male employees in 2018, and introduced a new eight-week post-partum leave program for eligible male employees in 2021 to improve the quality of childcare leave for men.

The launch of the Career Challenge System is representative of our efforts to support career advancement and self-directed development. We initiated Sekisui House Women's College in 2014 to systematically and effectively develop talented female employees for promotion to managerial positions. We also introduced career interviews in 2021 based on extensive communication between managers and team members. By promoting self-directed career development among employees, we help them to establish a personal career vision rather than one provided by Sekisui House, and to take on the challenge of actualizing their vision.

In terms of respect for diversity, we are expanding opportunities for employees to participate in their own way regardless of nationality, race, ethnicity, gender, sexual orientation, gender identity, age, disability or educational background. We established a system for registering partners in common law or same-sex marriages in 2019 as part of efforts to promote understanding and support for the professional participation of LGBTQ individuals and other sexual minorities in the workplace, which we see as important to our goal of providing housing that offers peace of mind and happiness for all. In recognition of these efforts, we received Rainbow Certification under the

PRIDE Index 2022. We also established the Promotion of Employment of Persons with Disabilities Office in 2020. Furthermore, we employ many people of different nationalities and cultural backgrounds, mainly in our international operations, and have a support system that helps non-Japanese technical trainees work with peace of mind at the technical training facility we opened in Vietnam in 2019.

☞ Diversity & Inclusion



Sekisui House's
Material Issues

Realizing Customer Happiness

Creation of High-Quality Housing Stock and KPIs

Aiming to deliver the highest quality and technology, Sekisui House provides housing of value in which customers can live for generations by pursuing beautiful exterior design and outstanding housing performance that realizes safety, peace of mind and comfort.

Value
Provided

Safety, peace of mind and comfort

Safety, peace of mind and comfort are the most basic and important factors in housing. Sekisui House regards providing value in the form of these factors to customers, to help them realize long-term happiness, as its mission. To better understand this value from the customer perspective and monitor progress, we have established two KPIs. The FY2022 results are as follows.

✔ Target met ✖ Target unmet

1. Detached house customer satisfaction rate

FY2021 result	FY2022 result	FY2023 target
96.0% (Target: 95% or higher)	✔ 96.3% (Target: 95% or higher)	95% or higher

This indicator shows the percentage of customer survey responses that selected one of the top three options for satisfaction.¹ In FY2022 it remained high, at 96.3%. We received favorable feedback thanks to improvements made based on previous survey results and the provision of services based on the comprehensive strengths of our sales, design, construction and after-sales service staff.

¹ Detached house and rental housing owners are surveyed one year after move-in and two years after closing, respectively. The survey includes an overall satisfaction rating on a seven-point scale (very satisfied, satisfied, fairly satisfied, neutral, slightly dissatisfied, dissatisfied and very dissatisfied); evaluations of satisfaction with the building, its various components, energy generating equipment and Sekisui House staff; and a section for comments. Survey results are used to enhance service, develop new components and products, and improve design and construction.



2. Rental housing occupancy rate

FY2021 result	FY2022 result	FY2023 target
97.9% (Target: 97% or higher)	✔ 97.8% (Target: 97% or higher)	97% or higher

This indicator shows the occupancy rate of Sha Maison rental housing managed through subleasing.² In FY2022 it met our target, at 97.8%. In addition to continuing to provide new high-quality, high-performance rental housing, such as Sha Maison ZEH and properties with hotel-like styling, we are promoting renovations of existing properties, including changing floor plans and installing new equipment. In addition, we are promoting happiness in rental living through efforts to integrate technologies, lifestyle design and services, such as the provision of services through an app for residents.



² The Sekisui House Real Estate companies have been offering subleasing for more than 40 years, reducing the hassle and risk of operating rental housing for owners while realizing stable long-term operations. Owners are paid a fixed monthly rent for the property regardless of vacancies, and the Group provides total leasing and operational support encompassing finding tenants and building maintenance and management.



Asset value creation

Increasing the asset value of housing requires more than the basic housing functions of safety, peace of mind and comfort. We believe it is also important to make lifestyle proposals in line with customer preferences and life plans, and, from the perspective of community development, to focus efforts on *keinen bika*, the concept of creating a landscape that grows more beautiful over time. The Sekisui House Group has designated three KPIs for understanding the value it provides through asset value creation. The FY2022 results are as follows.

✔ Target met ✖ Target unmet

3. New proposals of technologies, lifestyle design and services

FY2021 result	FY2022 result	FY2023 target
Launched Family Suite Home Premium II	✔ Launched SUITE CONCIER	Only results are disclosed

This indicator highlights achievements related to new proposals that integrate the advanced technologies Sekisui House has accumulated, the lifestyle design proposals developed by the Human Life R&D Institute, and intangible assets (services) in such areas as health, connectedness and learning. In FY2022, we launched SUITE CONCIER, a service that helps customers realize happy living.



SUITE CONCIER

スイート コンシェル



Services to redecorate familiar spaces to feel special



Services that further enrich daily living

4. Platform House Concept to help customers achieve happiness in the era of the 100-year lifespan

KPI until FY2022

FY2021 result	FY2022 result	FY2023 target
Launched PLATFORM HOUSE touch	✔ Adoption of PLATFORM HOUSE touch in new orders received 43%	Expand to Group companies

The Platform House Concept is an approach to house-building that entails providing services in the areas of health, connectedness and learning to help residents accumulate intangible assets. In FY2022, PLATFORM HOUSE touch was adopted in 43% of new detached house orders received, despite sales restrictions due to the global semiconductor shortage. Going forward, we will roll out these offerings at Group companies and expand services.



5. Internal standard for evaluating detached houses with exterior design and greenery that beautify the community (residence evaluation)

FY2021 result	FY2022 result	FY2023 target
68% (Target: 50% or higher)	✔ 77.5% overall Third-range products: 83.9% (Target: 70% or higher overall; Third-range products: 85% or higher)	80% or higher overall Third-range products: 90% or higher

This indicator is calculated based on our residence evaluation,¹ which we created for detached houses in 2017 to promote the creation of beautiful houses that will be assets to their communities. Houses are evaluated on 10 items related to landscaping and greenery planning and building exterior design to objectively assess consideration for the environment and townscape. In FY2022, 77.5% of our detached houses met the internal standard, once again meeting the annual target, but this figure was 83.9% for third-range houses, falling short of the target.

¹ Houses are given a rating from one to five stars; the KPI is the percentage with four stars or higher.



6. Internal standard for evaluating the townscape attractiveness of rental housing that emphasizes resident safety, peace of mind and comfort (Sha Maison Gardens)

FY2021 result	FY2022 result	FY2023 target
55% (Target: 50% or higher)	56% (Target: 55% or higher)	57% or higher

For rental housing, we have established “four environmental premiums” as a unique standard for evaluating properties in terms of townscape attractiveness and the resident's perspective. Properties deemed highly appealing are internally deemed “Sha Maison Gardens.” In FY2022, 56% of properties met this standard, up from the previous year, helping to improve living environments for residents and asset value for owners.

- 1 This KPI is calculated as the percentage of rental housing that satisfies our criteria across all four of the following categories: 1. Enhancing townscape attractiveness, 2. Keinen bika, the concept of creating a landscape that grows more beautiful over time, 3. Safety and peace of mind, and 4. Comfort.
2 Refers to properties that receive at least four stars in our four environmental premium evaluation.



✓ Target met ✗ Target unmet

Value
Provided

Extended useful life of housing

The construction industry is facing calls to transition from a consumption-based model of building and demolition to a stock-based model of building high-quality structures, properly maintaining them, and using them with care over the long term. Aiming to maximize asset value for owners, the Sekisui House Group has designated the extended useful life of housing as a form of value it provides and established two related KPIs for its efforts to promote the transition to a stock-based model. The FY2022 results are as follows.

7. Percentage of detached houses certified as Long-Life Quality Housing

FY2021 result	FY2022 result	FY2023 target
93.4%	92.1% (Target: 90% or higher)	90% or higher

This indicator shows the portion of the detached houses provided by the Group that have received official certification as meeting the standards of the Japanese government's Long-life Quality Housing Certification Program.³ In FY2022, it remained roughly level with the previous year at 92.1%, reflecting our use of superior technologies to provide housing that is safe and comfortable over the long term.

- 3 Standards for detached houses: Houses must meet certification standards in such areas as anti-degradation measures, seismic resistance, energy efficiency, ease of maintenance and updating, living environment, floor area, maintenance and preservation plan, and disaster considerations.

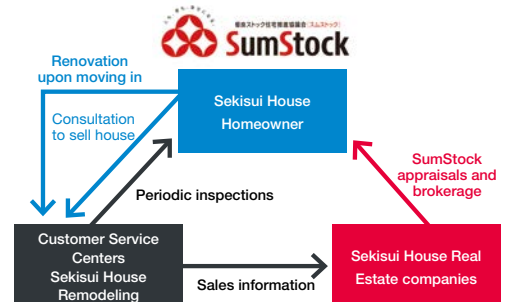


8. Ratio of SumStock housing in the Group's existing home transactions

FY2021 result	FY2022 result	FY2023 target
70%	63% (Target: 75% or higher)	800 contracts (indicator changed to the number of contracts from FY2023)

This indicator shows the portion of existing houses handled for resale by the Group that are SumStock certified.⁴ Under the SumStock initiative, the Sekisui House Real Estate group applies clear standards to accurately evaluate the asset value of high-quality existing houses built by Sekisui House. We are promoting Group coordination to extend the useful life of housing and promote the resale circulation of existing houses. In FY2022, this KPI came to 63%, below the annual target.

- 4 Houses in Japan are used for an average of about 30 years, far shorter than in most other countries. In 2008, in response to the need for mechanisms to promote the use of high-quality existing houses as social assets passed on from one resident to the next, 10 major homebuilders established the Provision of Quality Housing Stock Association, which certifies housing built by its members that meets common standards as SumStock housing.



Material Issue Initiative Themes and KPIs

To create high-quality housing stock, we have designated the following KPIs for the three years of the Sixth Mid-Term Management Plan, grouped by three types of value we provide: Safety, peace of mind and comfort; asset value creation; and extended useful life of housing.

Value Provided	No.	Indicator	Officer remuneration indicator PSU¹			Mid-Term Management Plan		Used as president commendation ESG indicator	FY2022		FY2023	FY2024	FY2025	Remarks
			1	2	3	Fifth	Sixth		Targets	Results	Targets	Targets	Targets	
Safety, peace of mind and comfort	1	Detached house customer satisfaction rate							95% or higher	96.3%	95% or higher	95% or higher	95% or higher	
	2	Rental housing occupancy rate							97% or higher	97.8%	97% or higher	97% or higher	97% or higher	
	3	Housing units sold in the overseas business (New)					○		—	—	—	—	10,000	
Asset value creation	4	New proposals of technologies, lifestyle design and services							—	SUITE CONCIER launched	—	—	—	Only results are disclosed
	5	Patent applications (R&D) (New)								109	100	100	100	
	6	Internal standard for evaluating detached houses with exterior design and greenery that beautify the community (residence evaluation)						○	70% or higher overall Third-range products: 85% or higher	77.5% overall Third-range products: 83.9%	80% or higher overall Third-range products: 90% or higher	80% or higher overall Third-range products: 90% or higher	80% or higher overall Third-range products: 90% or higher	4 stars or higher
	7	Internal standard for evaluating the townscape attractiveness of rental housing that emphasizes resident safety, peace of mind and comfort (Sha Maison Gardens)						○	55% or higher	56%	57% or higher	58% or higher	60% or higher	4 stars or higher
	8	Rental housing units renovated (New)					○			6,035	6,800	7,600	8,400	
Extended useful life of housing	9	Percentage of detached houses certified as Long-Life Quality Housing							90% or higher	92.1%	90% or higher	90% or higher	90% or higher	
	10	Ratio of SumStock housing in the Group's existing home transactions (Contracts reached for the resale of SumStock existing houses)²							75% or higher	63%	800	860	900	

1 PSU = Performance Share Unit (performance-related stock remuneration); PSU1 = FY2020 to FY2022; PSU2 = FY2021 to FY2023; PSU3 = FY2022 to FY2024
2 Beginning with the target for FY2023, this indicator has been changed from the percentage of SumStock housing to the number of contracts reached for SumStock housing.

Sekisui House's
Material Issues

Realizing Societal Happiness

Contributing to a Sustainable Society and KPIs

Sekisui House views harmony between people, communities and the Earth, as well as solving social issues, as its social mission, and works to contribute to a sustainable society through its businesses, including the supply chain.

Value
Provided

Decarbonization

Approximately 16% of all CO₂ emissions in Japan are attributable to the residential sector. Given this, enhancing and reinforcing measures to improve thermal insulation and save energy in Japan's housing is essential. As a housing provider, the Sekisui House Group believes that to address this issue, it must first promote the uptake of energy efficient housing. Accordingly, we have established eight KPIs related to the value we provide in the form of decarbonization. The FY2022 results are as follows.

✔ Target met ✖ Target unmet

9. Ratio of detached house ZEH / 10. Number and ratio of ZEH units for rent / 11. Number and ratio of ZEH condominiums for sale

	FY2021 result	FY2022 result	FY2023 target
Detached houses	92% (Target: 89% or higher)	✔ 93% (Target: 90% or higher)	90%
Rental housing	8,501 units (Target: 1,800 units)	✔ 65% / 15,064 units (Target: 50% / 2,500 units)	70%
Condominiums	192 units / 39.4% (Target: 196 units / 35%)	✔ 585 units / 88.8% (Target: 540 units / 85%)	100%

Detached Houses This indicator shows the portion of detached houses¹ that Sekisui House built during the fiscal year that were ZEH.² In FY2022, this came to 93%, once again meeting the annual target and far exceeding the ZEH rate for Japan as a whole of 18.5%.³ The cumulative number of ZEH houses sold since we launched sales in FY2013 reached 76,509 (as of March 2023).

1 Excluding built-to-order and built for-sale housing in Hokkaido

2 Net zero energy house, a house that aims for an annual primary energy balance of zero through energy efficiency and energy generation while providing a comfortable indoor environment

3 Data based on ZEH builder performance reports from the Sustainable open Innovation Initiative

Rental Housing This indicator shows the portion of orders for Sha Maison rental housing received during the fiscal year that were ZEH units.⁴ In FY2022, this came to 15,064 units, up significantly from the previous fiscal year. Sha Maison ZEH can reduce CO₂ emissions by 93%⁵ compared with ordinary rental housing, and the benefits to residents of being able to sell electricity to the grid have been well received. By promoting the widespread use of this housing, we will help realize a decarbonized society.

Condominiums This indicator shows the cumulative number and percentage⁶ of completed ZEH units among Sekisui House's GRANDE MAISON condominiums for sale. In FY2022, the cumulative total reached 585 ZEH condominium units and a ratio of 88.8%, achieving the annual targets. Using double-glazed windows with excellent thermal insulation performance, we maintain the views afforded by large windows, a major appeal of condominiums, while also meeting ZEH standards and preserving comfort.



4 ZEH Ready or higher grade units (includes only units in which individual residents can sell electricity to the grid; number of units was used as a KPI through FY2021). For multi-unit housing complexes, the government defines four types of ZEH standards for both buildings and individual units: "ZEH" is capable of reducing net primary energy consumption by 100% or more; "Nearly ZEH" represents a reduction of more than 75%; "ZEH Ready" represents a reduction of more than 50%, and "ZEH Oriented" represents a reduction of more than 20%.

5 Calculated by Sekisui House for the 447 Sha Maison ZEH units built in FY2019 based on the primary energy consumption calculation results of the Building Research Institute's energy consumption performance calculation program (excludes energy consumption for cooking and household electronics).

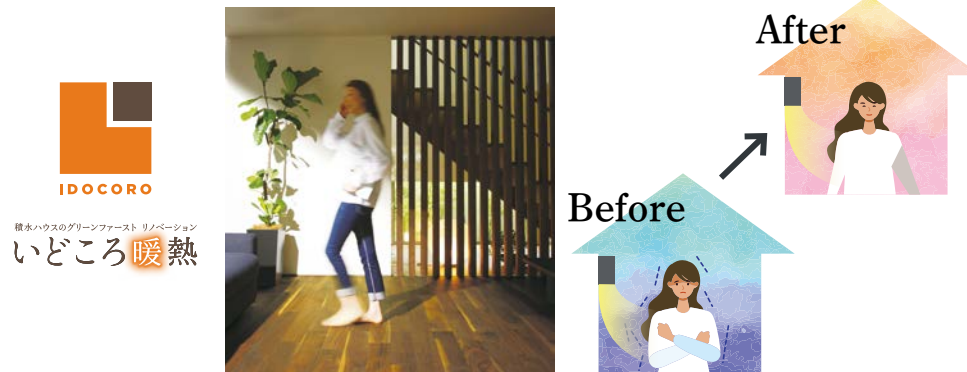
6 Cumulative number of completed units ranked ZEH Oriented or higher grade. The percentage is that of ZEH Oriented or higher grade units among all units sold in the fiscal year.

12. Number of *Idocoro Dan-netsu* houses (location-based insulation upgrades)

FY2021 result	FY2022 result	FY2023 target
1,338 units (Target: 1,200 units)	✓ 1,601 units (Target: 1,250 units)	1,800 units

This indicator shows the number of houses that underwent *Idocoro Dan-netsu* remodeling¹ to efficiently improve thermal insulation performance through partial insulation and insulation remodeling focused on the living room, dining room and kitchen area, where people spend most of their time. This kind of remodeling offers comfortable living even in existing houses that are more than 20 years old. In FY2022, the number came to 1,601 houses, once again meeting our annual target.

¹ *Idocoro Dan-netsu* remodeling comprises two product types for houses that are more than 20 years old and have poor thermal insulation performance: "Premium," which aims to increase insulation performance to the level of newly built ZEH, and "Basic," which aims to effectively improve insulation performance with just one day of construction work.



15. RE100 achievement rate

FY2021 result	FY2022 result	FY2023 target
33.5% (Target: 25%)	✓ 55.1% (Target: 35%)	100% by FY2040

This indicator shows the portion of all electricity used by the Sekisui House Group that is renewable energy purchased through Sekisui House Owner Denki as part of efforts to achieve RE100.⁶ In FY2022, it was 55.1%, meeting our annual target.

⁶ RE100 is an international initiative of major companies around the world aimed at using 100% renewable energy. In 2017, Sekisui House became the second company in Japan and the first in the housing industry to join RE100.

13. Rate of CO₂ emissions reduction from new housing /
14. Rate of CO₂ emissions reduction from business operations

✓ Target met ✗ Target unmet

	FY2021 result	FY2022 result	FY2023 target
New housing	50.0% (Target: 45% reduction by FY2030)	✓ 55.3% (Target: 45% reduction by FY2030)	55% reduction by FY2030
Business operations	46.6% (Target: 75% reduction by FY2030)	✓ 50.9% (Target: 75% reduction by FY2030)	75% reduction by FY2030

New Housing This indicator shows the rate of reduction in CO₂ emissions attributable to energy consumption at the residential stage of new housing built by the Sekisui House Group (compared with FY2013).² In FY2022, this came to 55.3%, once again meeting our annual target.

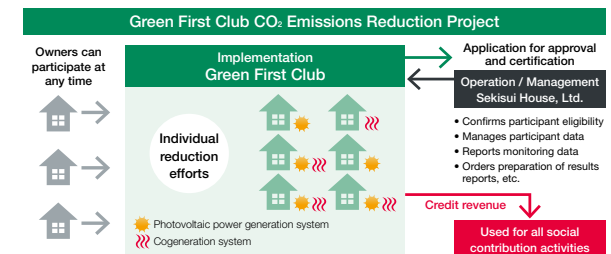
Business Operations This indicator shows the rate of reduction in CO₂ emissions directly attributable to the Group's business operations (Scope 1) or indirectly attributable through purchased electricity and other energy (Scope 2) compared with FY2013.³ As a result of such initiatives as electrifying all Company vehicles,⁴ converting Company business locations to net zero energy buildings (ZEB) and promoting Sekisui House Owner Denki⁵ with the aim of achieving RE100, in FY2022 this figure reached 50.9%, up from the previous fiscal year.

² Scope 3, Category 11 emissions reduction relative to FY2013 levels. The scope of emissions was broadened for FY2022 and, for comparison, the scope of emissions in FY2013 was also broadened accordingly.

³ For more details, see the note on page 140.

⁴ Includes battery electric vehicles, fuel cell vehicles, plug-in hybrid electric vehicles and hybrid electric vehicles

⁵ An initiative to achieve RE100 by purchasing excess electric power from owners of homes equipped with solar power generation systems that have reached the post-FIT period (past the end of the feed-in tariff system's purchase period) for use in the Group's business operations.



16. Supplier science-based target-setting rate

FY2021 result	FY2022 result	FY2023 target
22.2%	✓ 31.9%	80% by FY2030

This indicator shows the percentage of our major suppliers that have set SBT-verified targets.⁷ In FY2022, it was 31.9%, up from the previous fiscal year.

⁷ Science Based Targets, a scheme for verifying corporate greenhouse gas emissions reduction targets as in line with the goals of the Paris Agreement.

Value
Provided

Biodiversity Conservation

Following the rise of climate change countermeasures, there is growing momentum for biodiversity conservation around the world, leading to calls for going beyond merely conserving nature and wildlife by implementing nature-positive measures that help to restore nature. The Sekisui House Group has established two KPIs for biodiversity conservation initiatives aiming to have nature-positive effects intended to help restore severely degraded green spaces in urban areas and reduce deforestation. The FY2022 results are as follows.

✓ Target met ✗ Target unmet

17. Sustainable wood procurement rate

FY2021 result	FY2022 result	FY2023 target
97.2% (Target: 97.2%)	✗ 97.1% (Target: 97.4%)	97.4%

This indicator shows the portion of wood purchased by the Group that has one of the top two ranks (S or A) on our four-rank scale based on quantitative evaluations of the sustainability of wood purchased from suppliers in accordance with the Wood Procurement Guidelines we established in 2007. In FY2022, it fell short of the annual target, at 97.1%.



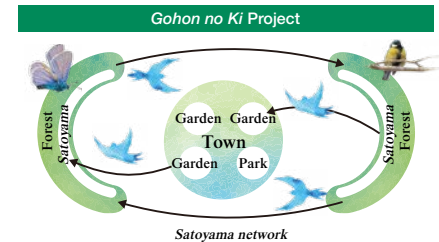
18. Biodiversity-friendly tree planting (Gohon no Ki Project)

(Cumulative trees planted)

FY2021 result	FY2022 result	FY2023 target
18,116 thousand (Target: 18,000 thousand)	✓ 19,003 thousand (Target: 19,000 thousand)	20,000 thousand

This indicator shows the cumulative number of trees planted in customer gardens under the *Gohon no Ki* Project,¹ a project launched in 2001 to promote biodiversity-friendly landscaping during housing construction. In FY2022, it was 19,003 thousand, once again achieving the annual target.

¹ The *Gohon no Ki* ("5 trees") Project is based on the approach that "three trees are for birds, two trees are for butterflies, and all are local native tree species." The project proposes the use of native tree species that are beneficial to birds and butterflies in gardens.

Value
Provided

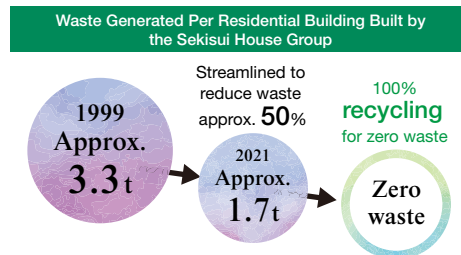
Resource recycling

As we contemplate risk scenarios that include demand for higher-quality recycling and increased processing costs for plastic waste materials derived from fossil fuels, there is a growing need to effectively use and recycle resources and shift awareness toward a plastic-free future. Accordingly, the Sekisui House Group has designated three KPIs related to the value it provides in the form of resource recycling. The FY2022 results are as follows.

19. Waste rate (new construction)

FY2021 result	FY2022 result	FY2023 target
5.4% (Target 5.5%)	✗ 5.6% (Target: 5.2%)	5.0%

This indicator shows the amount of raw materials used in production and resource inputs for the Sekisui House Group's new housing construction that ends up as waste. An increase in non-housing properties has led to a decrease in raw materials used in production and resource inputs, and, relative to this, a slight increase in waste. As a result, this indicator came to 5.6% in FY2022, falling short of the annual target.



20. Waste recycling rate (new construction) / 21. Waste recycling rate (maintenance and remodeling)

	FY2021 result	FY2022 result	FY2023 target
New construction	100% (Target: 100%)	✓ 100% (Target: 100%)	100%
Maintenance	95.6% (Target: 90% or higher)	✓ 94.6% (Target: 90% or higher)	90% or higher

New construction This indicator shows the portion of waste generated in the construction of new housing that is recycled. Since achieving zero waste at new construction sites in FY2005, all waste collected at our resource recycling centers is recycled. As a result, this indicator has been 100% every year.

Maintenance This indicator shows the portion of the waste generated in the maintenance, repairs and remodeling of existing properties built by the Group that is recycled. In principle, we operate on the assumption that all waste will be recycled, as for new construction, but construction materials that contain hazardous substances, such as asbestos, cannot be recycled.

Value
Provided

Coexisting with Local Communities

For the happiness of communities, and to realize dignified living for people everywhere, we seek to solve social issues from the two approaches of business activities as a housing manufacturer and social contribution activities. We have designated two KPIs related to the value we provide in the form of coexisting with local communities through our businesses and social contribution. The FY2022 results are as follows.

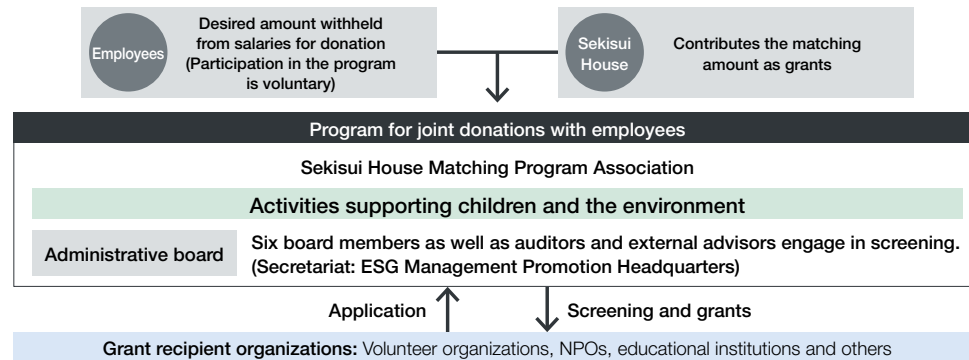
✔ Target met ✖ Target unmet

22. Percentage of employees joining employee-company joint donation programs (Sekisui House Matching Program employee participation rate)

FY2021 result	FY2022 result	FY2023 target
31 % (Target: 30%)	✖ 32% (Target: 35%)	— Only results will be disclosed

This indicator shows the rate of employee participation in the Sekisui House Matching Program, which matches employee donations. This corporate program was launched in FY2006 to solve social issues related to children and the environment and thus contribute to community well-being by supporting NPOs and other organizations that carry out social activities. In FY2022, the participation rate was 32%, falling short of the annual target.

Sekisui House Matching Program Framework



23. Trip Base *Michi-no-Eki* Stations Project, a project for regional revitalization (Cumulative)

FY2021 result	FY2022 result	FY2023 target
5 prefectures: 14 buildings 1,053 rooms (Target: 5 prefectures: 14 buildings, 1,053 rooms)	✔ 10 prefectures: 23 buildings, 1,848 rooms (Target: 9 prefectures: 20 buildings, 1,582 rooms)	14 prefectures: 29 buildings, 2,336 rooms

The Trip Base *Michi-no-Eki* Stations Project is a regional revitalization project that we are developing with Marriott International. It proposes a style of travel that encourages the exploration of lesser-known destinations to discover their unique charms through use of a system of road-side rest stations known as “*Michi-no-Eki*.” We have adopted the number of hotel rooms built by the Sekisui House Group under the project as a KPI. In FY2022, we added nine buildings with 795 rooms in five new prefectures, bringing our cumulative totals to 23 buildings with 1,848 rooms in 10 prefectures and meeting our annual target.





Occupational health and safety & supply chain

The Sekisui House Group advances initiatives aimed at greater safety and well-being on construction sites via the thorough and ongoing practice of basic safety activities. In addition, working in cooperation with diverse suppliers, we promote sustainable procurement based on the CSR Procurement Guidelines. We have established five KPIs related to the value we provide in the areas of occupational health and safety, as well as the supply chain. The FY2022 results are as follows.

✓ Target met ✕ Target unmet

24. Frequency rate of accidents in the construction division that result in lost worktime

FY2021 result	FY2022 result	FY2023 target
2.49 (Target: 2.15)	✕ 2.55 (Target: 2.13)	2.27

This indicator shows the frequency of construction site accidents resulting in lost work time among contractors of Sekisui House, Sekisui House noie and Konoike Construction (including sole proprietors and employers). It is calculated as the number of fatalities and injuries requiring at least one day of lost work time for recovery due to occupational accidents per million working hours. In FY2022, it was 2.55, not meeting the target.

26. CSR procurement coverage

KPI until FY2022

FY2021 result	FY2022 result	FY2023 target
93.8% (Target: 89.0%)	✓ 94.8% (Target: 90%)	—

This indicator shows the portion of all Group suppliers for which we carried out CSR evaluations (procurement value basis; includes major raw material manufacturers). In FY2022, it was 94.8%, fully covering major suppliers.

28. CSR procurement human rights and labor scores

KPI until FY2022

FY2021 result	FY2022 result	FY2023 target
90.9 points (Target: 90.4 points)	✓ 92.5 points (Target: 91.0 points)	—

This indicator is the score for just the human rights and labor portions in the CSR evaluations of all suppliers (out of a maximum of 100 points). In FY2022, it was 92.5 points, once again meeting the annual target.

25. Occupational illness frequency rate in the construction division

FY2021 result	FY2022 result	FY2023 target
0.20 (Target: 0.33)	✕ 0.35 (Target: 0.31)	0.30

This indicator shows the frequency of occupational illness originating from construction sites among contractors of Sekisui House, Sekisui House noie and Konoike Construction (including sole proprietors and employers). It is calculated as the number of cases of occupation illness requiring at least one day of lost work time for recovery per million working hours. In FY2022, it was 0.35, not meeting the target.

27. CSR procurement score

KPI until FY2022

FY2021 result	FY2022 result	FY2023 target
91.9 points (Target: 91.5 points)	✓ 92.1 points (Target: 92.0 points)	—

This indicator is the score determined via CSR evaluations of all suppliers¹ (out of a maximum of 100 points). In FY2022, it was 92.1 points, once again meeting the annual target.

¹ From FY2023, this KPI has been changed to "CSR procurement human rights and labor supply chain scores."

→ P.218 4. Metrics and Targets

🔗 CSR Procurement Guidelines

Material Issue Initiative Themes and KPIs

To contribute to a sustainable society, we have designated the following KPIs for the three years of the Sixth Mid-Term Management Plan, grouped by five types of value we provide: Decarbonization; biodiversity conservation; resource recycling; coexisting with local communities; and occupational health and safety & supply chain.

Value Provided	No.	Indicator	Officer remuneration indicator PSU ¹			Mid-Term Management Plan		Used as president commendation ESG indicator	FY2022		FY2023	FY2024	FY2025	Remarks
			1	2	3	Fifth	Sixth		Targets	Results	Targets	Targets	Targets	
Decarbonization	11	Ratio of detached house ZEH	○	○	○	○		○	90%	93%	90%	90%	90%	
	12	Ratio of ZEH units for rent	○ ²	○ ²	○	○	○	○	50%	65%	70%	73%	75%	Only units where individual residents can sell electricity
	13	Ratio of ZEH condominiums for sale				○		○	85%	88.8%	100%	100%	100%	
	14	Number of <i>Idocoro Dan-netsu</i> houses (location-based insulation upgrades)				○		○	1,250	1,601	1,800	—	—	
	15	Rate of CO ₂ emissions reduction from new housing							—	55.3%	—	—	—	55% by FY2030
	16	Rate of CO ₂ emissions reduction from business operations							—	50.9%	—	—	—	75% by FY2030
	17	RE100 achievement rate							35%	55.1%	—	—	—	100% by FY2040
	18	Rate of electrified Company vehicles (New)							—	11%	19%	32%	35%	100% by FY2030
	19	Supplier science-based target-setting rate							—	31.9%	—	—	—	80% by FY2030
Biodiversity conservation	20	Sustainable wood procurement rate							97.4%	97.1%	97.4%	97.5%	97.5%	
	21	Rate of zero-deforestation timber procurement (New)								88%	91%	92%	93%	100% by FY2030
	22	Biodiversity-friendly tree planting (<i>Gohon no Ki</i> Project)							19,000 thousand	19,003 thousand	20,000 thousand	21,000 thousand	22,000 thousand	Cumulative trees planted
Resource recycling	23	Waste rate (new construction)							5.2%	5.6%	5.0%	—	—	
	24	Waste recycling rate (new construction)							100%	100%	100%	100%	100%	
	25	Waste recycling rate (maintenance and remodeling)							90% or higher	94.6%	90% or higher	—	—	
Coexisting with Local Communities	26	Percentage of employees joining employee-company joint donation programs (Sekisui House Matching Program employee participation rate)							35%	32%	—	—	—	Only results will be disclosed from FY2023
	27	Trip Base <i>Michi-no-Eki</i> Stations Project, a project for regional revitalization							9 prefectures: 20 buildings 1,582 rooms	10 prefectures: 23 buildings 1,848 rooms	14 prefectures: 29 buildings 2,336 rooms	—	3,000 rooms	Cumulative
Occupational Health and Safety & Supply Chain	28	Frequency rate of accidents in the construction division that result in lost worktime							2.13	2.55	2.27	2.25	2.12	
	29	Occupational illness frequency rate in the construction division							0.31	0.35	0.30	0.30	0.30	
	30	CSR procurement human rights and labor supply chain scores (New)							—	85.7 points	85.8 points	85.9 points	86.0 points	

1 PSU = Performance Share Unit (performance-related stock remuneration); PSU1 = FY2020 to FY2022; PSU2 = FY2021 to FY2023; PSU3 = FY2022 to FY2024

2 PSU1 and PSU2 are determined using the number and ratio of ZEH units for rent

Sekisui House's
Material Issues

Realizing Employee Happiness

Diversity and Inclusion and KPIs

To make home the happiest place in the world, employee happiness is essential. Sekisui House promotes diversity and inclusion to further its human resource development aimed at creating happy workplaces that are akin to home for employees.



The Sekisui House Group is constantly working to create environments and mechanisms that enable employees and the Company to sustainably grow together in line with its policy for promoting diversity based on the three pillars of promoting the participation of women, utilizing diverse personnel and promoting diverse workstyles. We have designated five KPIs related to the value the Group provides by promoting diversity. The FY2022 results are as follows.

✔ Target met ✖ Target unmet

29. Number of female directors of the Board (non-consolidated basis) /
30. Number of female managers (Group basis)

	FY2021 result	FY2022 result	FY2023 target
Female directors	3 persons (Target: 3 persons)	✔ 3 persons (Target: 3 persons or more)	3 persons or more
Female managers	273 persons / 4.31% (Target: 240 persons or more)	✔ 302 persons / 4.60% (Target: 260 persons)	300 persons

Female directors of the Board To promote diversity on our Board of Directors, we have made the number of female directors of the Board an indicator. In FY2022, it was three, meeting our annual target.

Female managers This indicator shows the number of female employees in managerial positions. The targets for this indicator are also targets of Sekisui House's Action Plan for the Promotion of Active Participation by Women¹ based on the Act on Promotion of Women's Participation and Advancement in the Workplace. In FY2022, this was 302 persons, or 4.60% of all managers, meeting the annual target.



¹ This plan applies to Sekisui House, Sekisui House Real Estate, Sekisui House Construction, Sekisui House noie and Sekisui House Remodeling.

31. Ratio of full-time female employees (Group basis) /
32. Ratio of female new graduates hired (Group basis)

	FY2021 result	FY2022 result	FY2023 target
Full-time employees	28.1% / 6,454 persons (Target: 27.5%)	✔ 28.9% / 6,743 persons (Target: 28.0%)	29.2%
New graduates	41.2% / 278 persons (Target: 41.1%)	✔ 44.6% / 350 persons (Target: 42.0%)	40.0%

Full-time female employees To promote the professional participation of female employees, we have made the percentage of full-time Group² employees who are women an indicator. In FY2022, it was 28.9%, or 6,743 persons, meeting the annual target.

Female new graduates hired This indicator shows the percentage of new graduates hired by the Group as full-time employees who are women, and is used in Group hiring plans designed to promote diversity. In FY2022, it was 44.6%, or 350 women.



² Sekisui House, Sekisui House Real Estate, Sekisui House Construction, Sekisui House noie and Sekisui House Remodeling

33. Employment rate of persons with disabilities (non-consolidated basis)

✔ Target met ✖ Target unmet

FY2021 result	FY2022 result	FY2023 target
2.90% (Target: 2.61%)	✔ 2.97% (Target: 2.61%)	2.97%

This indicator shows the percentage of Company employees who have disabilities. In FY2022 it was 2.97%, meeting our annual target (as of April 2023, the legally mandated rate was 2.30%). We will continue to actively promote the employment of persons with disabilities, aiming to employ and retain these individuals at every worksite.

Value
Provided**Employee health and happiness**

In order to continue providing new value to customers, all our employees must be mentally and physically healthy, and the Sekisui House Group must create environments that allow employees to work happily and enthusiastically. We have established four KPIs related to the value we provide in the form of employee health and happiness. The FY2022 results are as follows.

34. Rate of employees opting for the secondary medical checkup

FY2021 result	FY2022 result	FY2023 target
97.8% (Target: 89%)	✔ 98.7% (Target: 98.0%)	95%

This indicator shows the portion of employees who opt for optional secondary medical checkups during annual mandatory checkups. It has been adopted to promote the maintenance and improvement of employee health. Figures for FY2022 and earlier are for sales divisions only. From FY2023 onward, we plan to disclose it for all divisions of Sekisui House (non-consolidated basis).

**36. ESG dialogue implementation (workplace basis)**

FY2021 result	FY2022 result	FY2023 target
Sekisui House employees, Group general managers (Target: Sekisui House employees, Group general managers)	✔ 100% (Target: Implementation at 100% of workplaces, including Group companies)	100%

This indicator shows the implementation rate of ESG dialogues² at workplaces. These dialogues are an initiative to encourage all employees to internalize ESG and create opportunities for them to take proactive action and innovate toward our vision for ESG involving all employees of “an enterprise that exists within the concept of ESG.” In FY2022, we implemented ESG dialogues at 100% of workplaces, including Group companies, meeting the annual target.

² An initiative for holding discussions on such themes as well-being in groups of four to five people at worksites

35. Walking Challenge participants and average step count

FY2021 result	FY2022 result	FY2023 target
19,691 persons / 5,641 steps	✔ 20,816 persons / 6,600 steps	— (Only results are disclosed)

This indicator shows the number of employees who participated in Walking Challenge¹ and their average daily step counts. Walking Challenge events promote walking to improve lifestyle habits and prevent lifestyle-related disease with the aim of reducing the number of employees deemed at risk of such disease based on health checkup results. In FY2022, it was 20,816 persons, with an average step count of 6,600 steps, up from the previous fiscal year.

¹ Among our male employees over 40, medical checkup results indicate that obesity risk exceeds 50%, lipid risk is roughly 70% and blood sugar risk is just under 50%. These percentages are high compared to other companies in the health insurance union to which we belong. Recognizing that preventing lifestyle-related diseases (including metabolic syndrome) is an urgent health issue, we began development of an app in FY2019. We launched the Walking Challenge event, in which employees record their daily steps to increase their health awareness while engaging in fun competition with other employees or departments.

37. Well-Being Circle total score

FY2021 result	FY2022 result	FY2023 target
65.75 points	✔ 65.86 points	— (Only results are disclosed)

Since FY2020, we have implemented the Well-Being Survey of all employees to provide an indicator of overall employee well-being encompassing both their professional and private lives, elucidate the relationship between individual and workplace well-being, and create environments in which employees can enjoy professional satisfaction and happiness. From these surveys of well-being for individuals and organizations, we have selected the average total score of the Well-Being Circle section,³ which is designed as a multifaceted diagnosis of employee happiness, to use as an indicator. In FY2022, it was 65.86 points, up from the previous fiscal year.

³ The average score of 34 items in 11 categories within the Well-Being Circle portion of the Well-Being Survey.



Diverse Workstyles / Job Satisfaction / Human Resource Development / Self-Directed Career Development

The Sekisui House Group is promoting workstyle innovation and the development of a corporate culture that allows employees to chart their own career vision, aiming to create workplaces where employees can work happily and enthusiastically. We have designated four KPIs related to the value we provide in the form of diverse workstyles, job satisfaction, human resource development and self-directed career development. The FY2022 results are as follows.

✓ Target met ✗ Target unmet

38. Take-up rate for eligible male employee childcare leave

FY2021 result	FY2022 result	FY2023 target
100% (Target: 100%)	✓ 100% (Target: 100%)	100%

This indicator corresponds to the Group-wide paternity leave usage rate targeted in Sekisui House's Action Plan for the Promotion of Active Participation by Women and is calculated as the portion of male employees with children less than three years old who take at least one month of childcare leave. In FY2022, it was 100%, once again meeting the annual target.

39. Monthly average working hours per person

FY2021 result	FY2022 result	FY2023 target
177.64 hours (Target: 176 hours)	✓ 170.73 hours (Target: 175.5 hours)	175 hours

This indicator shows the average monthly work hours per Group employee.¹ It has been adopted to promote workstyle innovation. In FY2022, it was 170.73 hours, meeting the annual target.

¹ Includes managers, excludes employees on leave

41. Cumulative number of workers who have acquired major qualifications required for specific duties

FY2021 result	FY2022 result	FY2023 target
22,940 persons (Target: 22,700 persons)	✓ 23,608 persons (Target: 22,900 persons)	24,100 persons

This indicator shows the cumulative number of Group employees who have acquired any of 11 major qualifications required to perform certain duties at the Group, including the four national qualifications of first-class architect, first-class building operation and management engineer, second grade financial planner and registered real estate transaction agent. In FY2022, it was 23,608, once again meeting the annual target.



40. Annual paid leave take-up rate and number of days taken

FY2021 result	FY2022 result	FY2023 target
52.7% / 9.5 days (Target: 58%)	✓ 73.1% / 13.1 days (Target: 60%)	70%

This indicator shows the rate of annual paid leave usage among Group employees.² It was adopted to promote initiatives to encourage employees to take at least five days off per year and reduce total working hours, as mandated by the Act on the Arrangement of Related Acts to Promote Work Style Reform. In FY2022, it was 73.1%, for an average of 13.1 days, meeting the annual target.

² Includes managers

Material Issue Initiative Themes and KPIs

To promote diversity and inclusion, we have designated the following KPIs for the three years of the Sixth Mid-Term Management Plan, grouped by three types of value we provide: Promote diversity; employee health and happiness; and diverse workstyles and job satisfaction/self-directed career development.

Value Provided	No.	Indicator	Officer remuneration indicator PSU ¹			Mid-Term Management Plan		Used as president commendation ESG indicator	FY2022		FY2023	FY2024	FY2025	Remarks
			1	2	3	Fifth	Sixth		Targets	Results	Targets	Targets	Targets	
Promote diversity	31	Number of female directors of the Board							3 persons or more	3 persons	3 persons or more	3 persons or more	3 persons or more	
	32	Number of female managers	○	○	○	○			260 persons	302 persons (4.60%)	300 persons	310 persons	320 persons or more	
	33	Ratio of full-time female employees							28.0%	28.9% (6,743 persons)	29.2%	29.5%	29.8%	
	34	Ratio of female new graduates hired							42.0%	44.6% (350 persons)	40%	40%	40%	
	35	Employment rate of persons with disabilities Upper row: Sekisui House (non-consolidated basis) Bottom row: The 33 domestic consolidated companies subject to statutory requirements to hire persons with disabilities (including the Company)							2.61%	2.97% 2.86%	2.97% 2.86%	2.97% 2.86%	2.97% 2.86%	
Employee health and happiness	36	Rate of employees opting for the secondary medical checkup						○	98.0%	98.7%	95%	97%	100%	Scope changed from FY2023 ²
	37	Walking Challenge participants and average step count						○	—	20,816 persons 6,600 steps	—	—	—	Only results are disclosed
	38	ESG dialogue implementation (workplace basis)							100%	100%	100%	100%	100%	
	39	Well-Being Circle total score							—	65.86 points	—	—	—	Only results are disclosed
Diverse workstyles and job satisfaction/ Human resource development and self-directed career	40	Take-up rate for eligible male employee childcare leave	○	○	○	○			100%	100%	100%	100%	100%	
	41	Monthly average working hours per person		○	○			○	175.5 hours	170.73 hours	175 hours	175 hours	175 hours	
	42	Annual paid leave take-up rate	○						60%	73.1% 13.1 days	70%	70%	70%	
	43	Investment in human resource development (New)							—	¥886 million	¥1,435 million	¥1,478 million	¥1,522 million	
	44	Cumulative number of workers who have acquired major qualifications required for specific duties							22,900 persons	23,608 persons	24,100 persons	24,600 persons	25,100 persons	Employees are counted for each qualification they hold
	45	DX training participation rate (New)							—	—	100%	100%	100%	
	46	SHIP registration rate and number of posts (New)							—	26.9% 2,176	30% 2,500	33% 2,700	36% 3,000	
	47	Participants in self-directed career development-related training (New)							—	16,987 persons	18,936 persons	20,505 persons	22,030 persons	

¹ PSU= Performance Share Unit (performance-related stock remuneration); PSU1 = FY2020 to FY2022; PSU2 = FY2021 to FY2023; PSU3 = FY2022 to FY2024

² Figures for FY2022 and earlier are for sales departments only. Figures from FY2023 onward are for all departments of Sekisui House (non-consolidated basis).