

Section 3

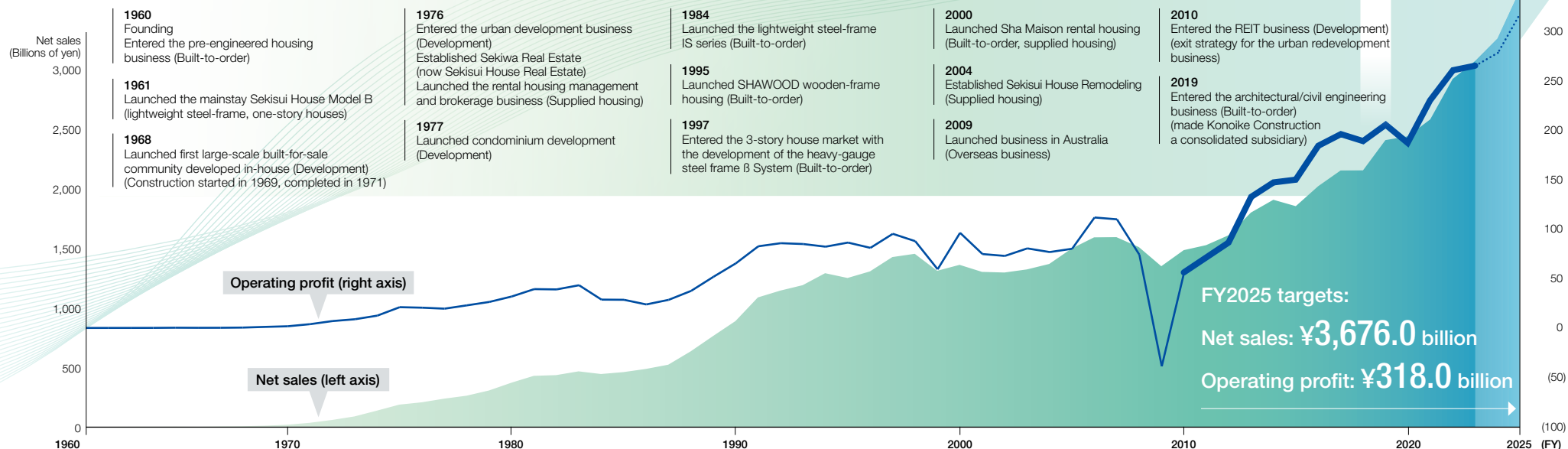
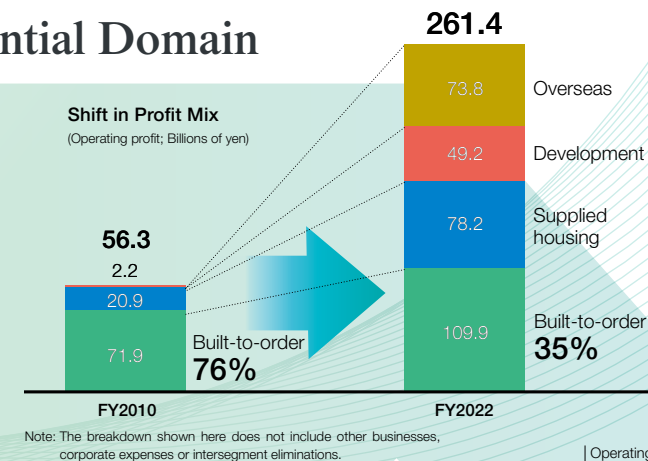
Mid-Term Management Plan for Sustainable Growth

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Evolution of Our Businesses and Business Model Based on the Residential Domain

Sekisui House was founded in the pre-engineered housing business in 1960, and in the 1970s entered the development business, including urban development and the sale of condominiums. In the 1990s, we established detached housing brands with the lightweight steel-frame IS series and wooden-frame SHAWOOD houses. We then entered the three-floor house market with the heavy-gauge steel frame β System construction method and, with the creation of the Sha Maison rental housing brand in 2000, all of the current elements of the built-to-order business were established. In 2004, we established Sekisui House Remodeling, and since then, the full-scale development of the remodeling business has contributed greatly to the creation of high-quality housing stock in Japan.

However, in 2008, the financial crisis caused a decline in business performance, leading to the first annual net losses in the Company's history. The major impacts on the Company, including a downturn in orders for housing, led us to revise our business model, which was centered on the built-to-order business, and in 2010, we announced our first Mid-Term Management Plan. Since then, we have expanded the range of our housing-related businesses and entered the REIT business with an eye to securing an exit strategy for projects in the urban redevelopment business. These and other efforts have greatly changed our mix of business models, which before was heavily reliant on detached houses (built-to-order), a market that is expected to shrink in the future. This, along with our entry into the overseas business, has transformed our portfolio. Compared with FY2010, when 76% of operating profit came from the built-to-order business, today the portfolio is balanced across four businesses. In FY2022, we recorded record high net sales and operating profit. For FY2025, the final year of the Sixth Mid-Term Management Plan, we are aiming for ¥3,676.0 billion in net sales and ¥318.0 billion in operating profit.



Evolution of Our Mid-Term Management Plans

In 2010, to commemorate the 50th anniversary of Sekisui House's founding and the cumulative number dwellings built surpassing 2 million, we formulated our first Mid-Term Management Plan. Under the Second Mid-Term Management Plan (launched in FY2012), we designated “deployment of growth strategies focused on the residential business domain” as our management policy. Since then, we have worked to expand our businesses domain centered on housing. In FY2020, we designated “make home the happiest place in the world” as our global vision, working to grow into a global company that leverages the core competencies developed since our founding and offers integrated technologies, lifestyle design and services based on the residential domain. Under the Fifth Mid-Term Management Plan, based on the fundamental policy of “further strengthening core businesses and embarking on new businesses,” we offered a variety of high-value-added proposals integrating technologies, lifestyle design and services. As a result of these efforts, in the plan's final year (FY2022), we recorded record high net sales and profit. The Sixth Mid-Term Management Plan maintains the basic tenets of the fifth plan while laying out further growth strategy, fundamental policy and key measures.



Global Vision

Make home the happiest place in the world



FY2014–FY2016

Third Mid-Term Management Plan

Fundamental Policy

**Strengthening Group synergies
and taking on new challenges in
the residential-related business**

Key Measures

Built-to-order business

Enhance product appeal,
ability to make proposals
and construction capabilities

Supplied housing business

Enhance cooperation within
the Group

Development business

Conduct quality community and town development
Build brands overseas
Establish asset value for the future

Main Management Indicators (FY2016 Results)

Net sales	¥2,026.9 billion
Operating profit	¥184.1 billion
Ordinary profit	¥190.9 billion
Profit attributable to owners of parent	¥121.8 billion
EPS	¥175.48
ROE	11.3%

FY2017–FY2019

Fourth Mid-Term Management Plan

Fundamental Policy

**Building the foundation for the
residential-related business
toward BEYOND 2020**

Key Measures

Built-to-order business

Lead the industry as the top
brand and take on the chal-
lenge of a new built-to-order
business

Supplied housing business

Expand the business
domain by creating new
markets, taking advantage
of existing houses

Development business

Focus on balance between
growth investments and the
asset turnover ratio

Overseas business

Increase business opportunities
by providing high-value-added
houses and housing environ-
ments in overseas markets

Main Management Indicators (FY2019 Results)

Net sales	¥2,415.1 billion
Operating profit	¥205.2 billion
Ordinary profit	¥213.9 billion
Profit attributable to owners of parent	¥141.2 billion
EPS	¥205.79
ROE	11.5%

Working to Address Our Material Issues

FY2020–FY2022

Fifth Mid-Term Management Plan

Fundamental Policy

**Further strengthening core businesses
and embarking on new businesses**

Key Measures

Built-to-order business

- Implement three brand strategies
- Promote focused S and A area marketing

Supplied housing business

- Actively deploy proposal-based and energy efficient remodeling
- Strengthen rental housing management and the brokerage business through change in company name to “Sekisui House Real Estate”

Development business

- Pursue ROA management
- Generate stable profit by improving turnover and acquiring prime land

Overseas business

- Start the global rollout of Sekisui House technologies and advance to the next stage

Main Management Indicators (FY2022 results)

Net sales	¥2,928.8 billion
Operating profit	¥261.4 billion
Ordinary profit	¥257.2 billion
Profit attributable to owners of parent	¥184.5 billion
EPS	¥276.58
ROE	11.9%

FY2023–Y2025

Sixth Mid-Term Management Plan

Fundamental Policy

**Stable growth in Japan and
proactive growth overseas**

Key Measures

Built-to-order business

- Strengthening our detached house brands
- Enhancing the Sha Maison brand
- Constructing a stable foundation to create sustainable value

Supplied housing business

- Practicing property management that offers enhanced services
- Proposals to extend the life of our housing stock and to enhance its asset value

Development business

- Developing cities and rural areas through area marketing and investment decisions from a medium- to long-term perspective

Overseas business

- Aiming to achieve a supply of 10,000 houses overseas by 2025 in the detached houses business
- Maximizing profit and achieving stability by diversifying partners and strengthening alliances in the development business

FY2025 Targets

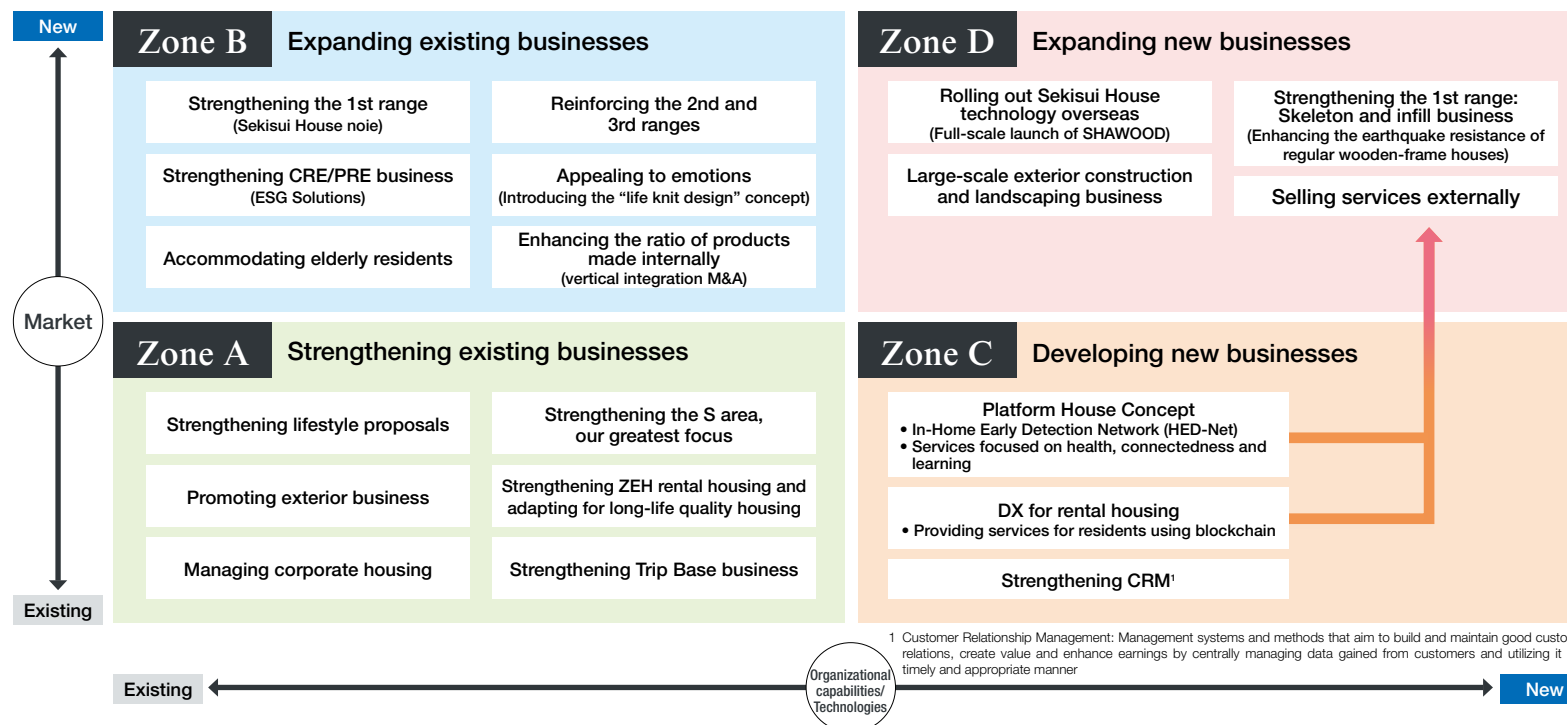
Net sales	¥3,676.0 billion
Operating profit	¥318.0 billion
ROE	Steadily 11% or higher

Sixth Mid-Term Management Plan (FY2023–FY2025)—Stable Growth in Japan and Proactive Growth Overseas

Based on our fundamental policy under the Sixth Mid-Term Management Plan, “growth in Japan and proactive growth overseas,” we are implementing growth strategies both in Japan and overseas. Specifically, the Group will strive to deepen and expand its existing businesses by taking full advantage of its core competencies, namely, technical capabilities, construction capabilities and the customer base, and by leveraging its unique value chain, supported by Sekisui House Group companies that together handle the entirety of housing construction processes. At the same time, by transferring Sekisui House technologies cultivated in Japan to pursue business development overseas, addressing changes in society and the business environment and leveraging digital technologies, we will develop and expand new businesses.

In Japan, to reinforce our detached house brands, we will enhance our three-brand strategy, launching a new skeleton and infill business and strengthening first range offerings. At the same time, we will enhance the Sha Maison brand based on thoroughgoing area strategy and reinforce corporate and public real estate (CRE and PRE) businesses. By doing so, we seek to expand our business domain and achieve stable growth in Japan. In addition, we will continue to develop new business by promoting the Platform House Concept of equipping houses with services supporting the health, connectedness and learning that will underpin new lifestyles (under which we launched services during the period of the Fifth Mid-Term Management Plan), as well as such initiatives as utilizing the Internet of Things (IoT). At the same time, we will incorporate new uses of digital transformation (DX) in services and management operations and leverage Sekisui House technologies in the overseas business to expand new businesses.

In this way, during the period of the Sixth Mid-Term Management Plan, we will practice ambidextrous management, both exploiting and exploring, while advancing growth strategies domestically and overseas to further enhance corporate value.



Zone A Strengthening existing businesses

Further develop and strengthen the business strategies advanced under the Fifth Mid-Term Management Plan into a platform based on the built-to-order business.

Zone B Expanding existing businesses

Horizontally roll out strengths of existing businesses across the Group and add new elements to expand businesses.

Zone C Developing new businesses

Add new elements to existing business foundations to create new businesses. Leverage data and DX in the environments surrounding our businesses and customers to create businesses and maximize value.

Zone D Expanding new businesses

Aim for medium- and long-term growth in new businesses. Pursue business possibilities, such as applying elements of new businesses to additional fields, to create value and achieve growth.

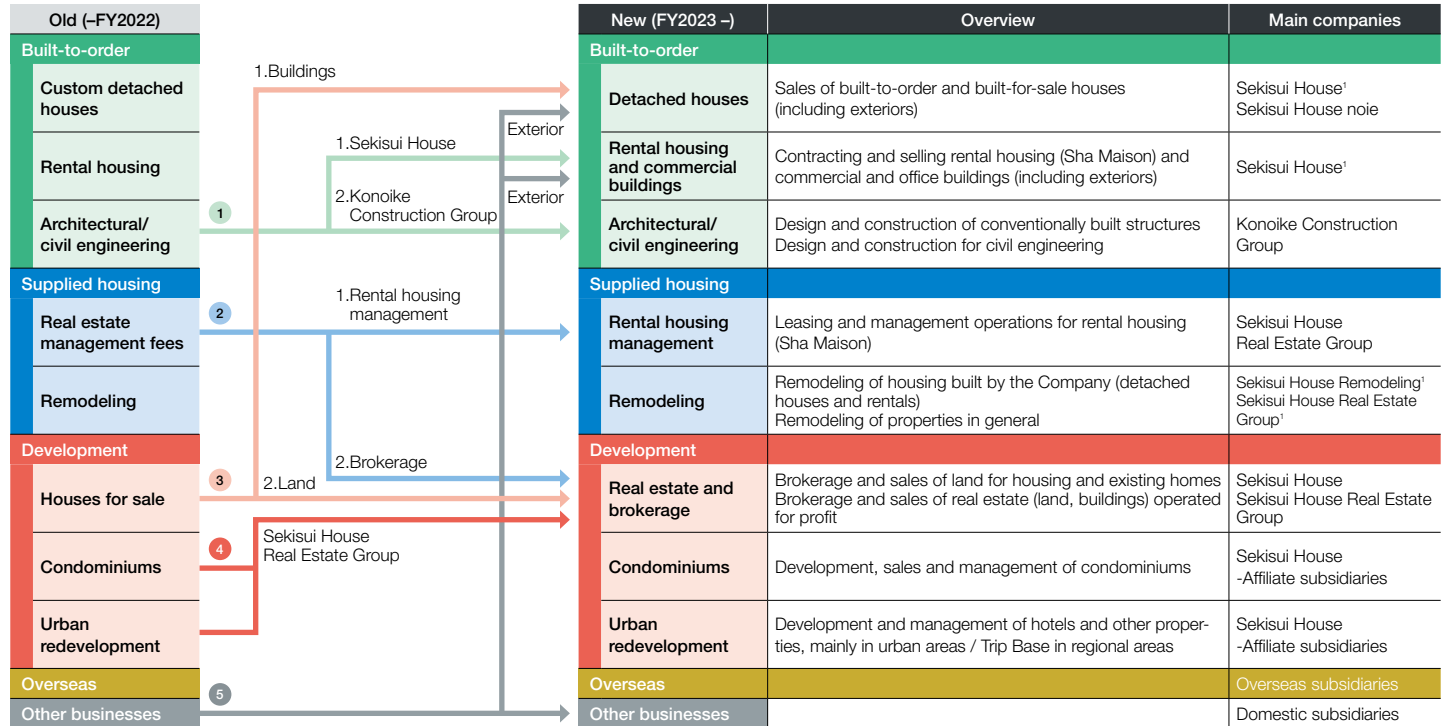
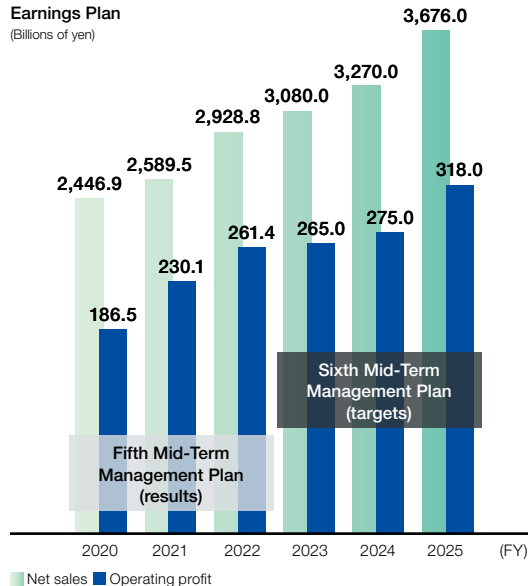
Earnings Plan and Segment Changes—Introducing Individual Management Methods for Each Business to Better Align Business Strategy and Organizational Structure and Enhance Capital Efficiency

The success of the Fifth Mid-Term Management Plan's business strategies laid growth foundations for further success and led to record-high net sales and operating profit in FY2022.

Under the Sixth Mid-Term Management Plan, based on the fundamental policy of stable growth in Japan and proactive growth overseas, we are targeting net sales of ¥3,676.0 billion and operating profit of ¥318.0 billion in FY2025, the final year of the plan.

In addition, from FY2023, we have reorganized our segments as shown at right to better align segment reporting with the state of our actual businesses today.

Earnings Plan
(Billions of yen)



① Architectural/civil engineering:

② Real estate management fees:

③ Houses for sale:

④ Condominiums, Urban redevelopment:

⑤ Other businesses:

1. Changed Sekisui House's built-to-order business to "rental housing and commercial buildings"

2. No change of Konoike Construction's built-to-order business from "architectural/civil engineering business"

1. Changed the rental housing management business to "rental housing management" 2. Changed the brokerage business to "real estate and brokerage"

1. Changed the building business to "detached houses" 2. Changed the land business to "real estate and brokerage"

Changed the real estate business handled by the Sekisui House Real Estate Group to "real estate and brokerage"

Changed exteriors to "detached houses" and "rental housing and commercial buildings" depending on building use

¹ Including Sekisui House Construction companies as subcontractors

Business Strategy

Built-to-Order Business

This business builds detached houses, rental housing and other properties under contract with property owners. The detached houses business promotes three brand strategies, according to price range, that offer added value in housing alongside high-quality, high-performance products. The rental housing and commercial buildings business provides high-quality, hotel-like rental housing, commercial buildings and other properties centered on major urban areas across Japan as its priority strategic focus.

Detached houses

Rental housing and
commercial buildingsArchitectural/
civil engineering

Review of the Fifth Mid-Term Management Plan and Strategies Going Forward

In the detached houses business, we advanced the key measure “implement three brand strategies.” The business environment was challenging, with the impacts of the COVID-19 pandemic and rising lumber and steel prices, but we minimized the impact on business through internal efforts, including building *Ouchi-de-Sumai Zukuri* content that allows us to consult with customers online, as well as reducing costs at factories.

In the first price range, orders for Sekisui House noie brand houses gradually increased due to stronger information links with Group companies. In our mainstay second range, the IS series and SHAWOOD saw an increase in average unit price thanks to high-value-added product propositions integrating technologies, lifestyle design and services. These included Family Suite Home Premium, which addresses lifestyle changes arising from the COVID-19 pandemic by enabling residents to spend time at home in greater comfort, SHAWOOD KOKAGE LOUNGE and other new living space offerings, as well as Green First ZERO net zero energy houses (ZEH), the SMART-ECS next-generation indoor environment control system, and the PLATFORM HOUSE touch floor plan-linked smart home service. In the third range, similarly, orders for high-end products increased.

In the rental housing and commercial buildings business, growth was weak in orders for non-residential properties such as hotels and medical

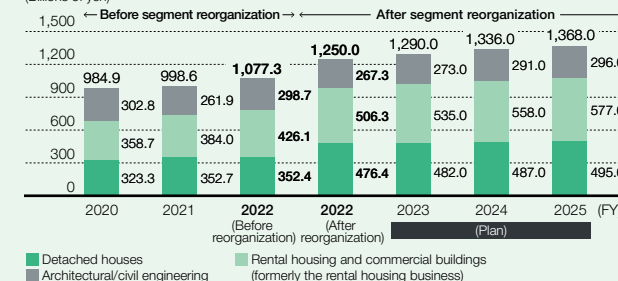
and nursing facilities due to the COVID-19 pandemic. Nevertheless, in rental housing, we advanced the key measure “promoting focused S and A area marketing.” Sha Maison properties built using our unique Flexible β System construction method for 3- to 4-story buildings, which combines outstanding structural resilience and customizability, helped to increase the rate of ZEH units and brand penetration, leading to strong orders received.

The architectural/civil engineering business secured a profit amid a harsh business environment, driven by an increase in environment-related construction.

Under the Sixth Mid-Term Management Plan, we will work to enhance our three-brand strategy in the detached houses business while promoting CRM strategy and integrating technologies, lifestyle design and services to further reinforce our detached house brands. In the rental housing and commercial buildings business, we will work to strengthen area marketing, provide high-value-added Sha Maison products, and strengthen the corporate real estate (CRE) and public real estate (PRE) businesses in order to further enhance the Sha Maison brand. In the architectural/civil engineering business, we will use environmental solutions and civil engineering technologies as drivers to reinforce housing and non-housing architectural construction.

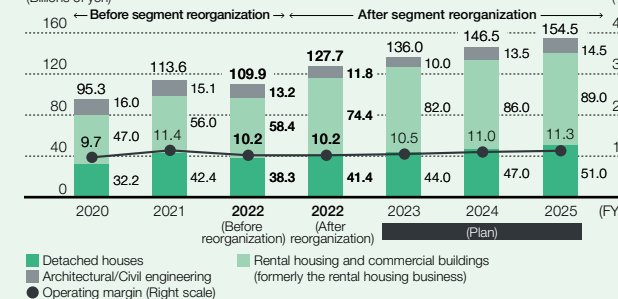
Net Sales

(Billions of yen)



Operating Profit and Operating Margin

(Billions of yen)



Detached Houses

Business Policy Strengthening our detached house brands by enhancing our strategies for each price range

Strategy

- ① Enhancing our three-brand strategy
- ② Promoting CRM strategy
- ③ Integrating our technologies, lifestyle design and services

► Enhancing our three-brand strategy

We have divided our offerings into three price ranges. By implementing strategies and measures tailored to the price and product specifications of each, we will reinforce our detached house brands.

In the first range, we will create packages for and strengthen the online presence of Sekisui House noie. In addition, we will begin a new skeleton and infill business with the mission of enhancing the performance of wooden-frame housing and creating high-quality housing stock in Japan.

In the second and third ranges, we will provide integrated technologies, lifestyle design and services to make unique residence proposals.

In addition, we will roll out life knit design, a new design concept aimed at proposing housing where attachment grows over time based on appeal to emotions through beautiful design and genuine materials. At the same time, we will implement customer relationship management (CRM) to reinforce customer relationships.



1st Range

Establishing a system capable of selling **1,000 units per year** in FY2025 by strengthening sales and products

Externally transplanting SHAWOOD technologies Aiming to supply **300 buildings** in FY2025



2nd Range

Reinforcing the following two areas to supply technologies, lifestyle design and services

- (1) **Appealing to emotions:** Supplying beautiful design and genuine materials
- (2) **Strengthening CRM:** Scientific approach to DX of customer engagement



3rd Range

The DESIGN OFFICE team, which comprises experts in various fields, uncompromisingly provides totally unique residence proposals

Highlight

Reinforcing the First Range with the Skeleton and Infill Business

Housing that does not meet modern standards for earthquake resistance or energy efficiency is a major issue in Japan. To correct such housing, Sekisui House has launched the skeleton and infill business¹ as a joint effort in partnership with local builders (construction companies). Centered on new wooden-frame building methods that utilize Sekisui House's technical capabilities and various types of support that utilize its comprehensive strengths, this new business will create high-quality housing stock.

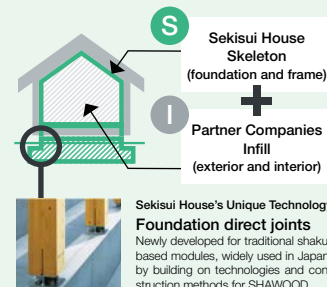
¹ Skeleton and infill: A construction method involving clearly distinct building skeletons (building frames) and infill (interiors, room layouts, etc.)

Design-build construction undertaken by the Sekisui House Group

- ✓ Installing Sekisui House's technologies
- ✓ Construction by and quality of Sekisui House Construction companies
- ✓ Wide-ranging support from Sekisui House

Regional strategies of partner companies

- ✓ Proposals based on local characteristics
- ✓ Strong procurement and sales capabilities in local areas
- ✓ Customer engagement rooted in local communities



Highlight

life knit design
— Design Concept for Housing where Attachment Keeps Growing over Time

Creating high-quality housing stock by providing houses where attachment keeps growing

Point #1

Designing spaces with universal beauty that reflects emotions

Point #2

Providing genuine materials that age beautifully over time

Point #3

Selecting eco-friendly materials



Rental Housing and Commercial Buildings

Business Policy

Striving to supply high value-added properties based on area strategy and enhancing the Sha Maison brand

Strategy

- 1 Strengthening area marketing—Price leader strategy
- 2 High value-added Sha Maison
- 3 Strengthening CRE and PRE businesses

- ☑ Sha Maison rental housing (Japanese only)
- ☑ Sha Maison ZEH Life (Japanese only)

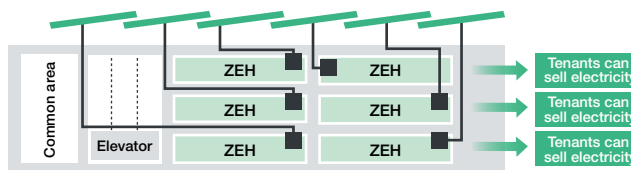
► Further Enhancing the Added Value of Sha Maison

Sekisui House's Sha Maison ZEH allows residents to sell electricity generated onsite, accommodating resident needs for utility cost savings and ethically conscious lifestyles. As with detached houses, we are promoting a shift to long-life quality rental housing, further enhancing added value that benefits both owners and residents.

We will promote our price leader strategy, mainly in the S and A areas, and reinforce efforts to effectively use land owned by sole proprietors, corporations (CRE) and public entities (PRE).

Promoting the acquisition of long-life quality housing certifications

ZEH rental long-life quality housing (excess electricity sold by residents)



Architectural/Civil Engineering

Business Policy

Constructing a stable foundation to create sustainable value for customers and society driven by eco-friendly measures and technical capabilities

Strategy

- 1 Architectural construction: Expanding and enhancing our channels for receiving orders—Non-residential and residential
- 2 Civil engineering: Differentiating through eco-friendly measures and technologies—Civil engineering technologies and environmental solutions

► Expanding and Enhancing Our Channels for Receiving Orders

In housing construction, we will leverage synergies within the Sekisui House Group to increase orders.

In non-housing, we will reinforce our proposal and technical capabilities, focusing on expanding building uses, such as distribution centers and data centers.

► Reinforcing Environmental Solutions

Leveraging the proprietary technologies of Konoike Construction, which boasts strengths in the environmental field, we will further develop environmental technologies and strive to increase orders for environment-related construction, mainly in soil and water purification to meet tightening environmental regulations, photovoltaic power generation, locally rooted micro-hydroelectric and biomass-fired power generation.

In non-housing, we will reinforce our proposal and technical capabilities, focusing on expanding building uses, such as distribution centers and data centers.

☑ Konoike Construction environmental solutions (Japanese only)



Ratio of sales from
environment-related
construction projects
to net sales

FY2025: 20% ➡ FY2030: 30%

Highlight

Synergies through Reinforced Collaboration with Konoike Construction

Since its founding more than 150 years ago, Konoike Construction has developed sophisticated technical capabilities in architectural and civil engineering. By integrating its management resources in these areas with the Sekisui House Group's management resources in the residential domain, we aim to mutually enhance our proposal and sales capabilities while reducing overall construction costs through joint materials purchasing and joint usage of our respective construction capabilities. Because Konoike Construction and Sekisui House each specialize in different business domains, since 2015 we have been advancing cooperation within the Group to generate synergies and achieve business expansion by leveraging our respective strengths.



Housing

- Growing orders for housing construction
- Collaborative construction with Sekisui House Construction
- Faster, more efficient construction

Non-Housing

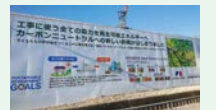
- Proposal capabilities for growing building uses
- Reinforcing technical capabilities



Konoike Construction completed the construction of the Prime Maison Ryogoku condominium building in February 2019 using materials shipped from Sekisui House factories. While most high-end condominiums are built using reinforced concrete, in light of the project's location and construction conditions, a steel-frame structure was used. Part of the exterior was clad in Sheltech

Concrete, which Sekisui House also uses for 3- and 4-story housing, and some of the interior materials were produced in Sekisui House factories. By prefabricating a portion of the interior materials, the construction period was shortened and construction precision enhanced. Going forward, in addition to generating synergies like these, we will work together to improve work conditions, a pressing issue in the construction industry.

In addition, in September 2022, as part of the Sekisui House Group's efforts to realize carbon neutrality, Konoike Construction launched efforts to switch to 100% renewable energy for the electricity used at its construction sites. Going forward, Konoike Construction will roll out this initiative at construction sites across Japan, aiming to transition to 100% electricity derived from renewable energy in business operations by 2030.



Business Strategy

Supplied Housing Business

This business provides remodeling for owners of our detached houses, rental housing and other properties as well as operational support for rental housing. In the rental housing management business, we work to maximize asset value by reinforcing communication with owners and are improving services for tenants through DX in rental operations. In the remodeling business, we proactively conduct proposal-based and energy efficient remodeling.

Rental housing
management

Remodeling



Review of the Fifth Mid-Term Management Plan and Strategies Going Forward

In the rental housing management business, we worked to reinforce our organizational structure as a key measure in order to promote further growth of the rental and brokerage businesses.

In February 2020, the Sekiwa Real Estate companies were renamed Sekisui House Real Estate, and in February 2022, we established Sekisui House Real Estate Holdings as an intermediate holding company to oversee the Sekisui House Real Estate companies. Through these efforts, we worked to improve the consistency and quality of services for tenants. Turning to relationships with owners, of the more than 690,000 rental units that we manage through the subleasing of properties and other arrangements, for those that no longer meet current needs due to their age, we proactively propose full renovations, such as changing the floor plans. Through such initiatives, we maintained high occupancy rates and rents and saw continued stable business growth.

In the remodeling business, we advanced the key measure “actively deploy proposal-based and energy efficient remodeling.”

The COVID-19 pandemic made it difficult to visit customers’ homes directly, but we conducted online consultations using the *Ouchi-de* Remodeling (Remodeling from Home) tools and held hands-on tours for small groups at our Tomorrow’s Life Museum facilities. We also advanced proposal-based

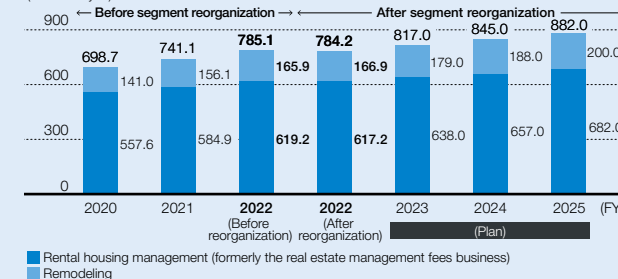
remodeling, such as Family Suite Renovation, which addresses needs related to more comfortable living and changes in lifestyle, as well as energy efficient remodeling, which includes *Idocoro Dan-netsu* thermal insulation upgrades focused on areas of the home where customers spend the most time and the installation of Ene-Farm, storage cells and other energy generation and storage equipment. In addition, since the merger of Sekisui House Remodeling East, Central and West in November 2020, the ongoing integration of their varied expertise has led to an increase in the portion of orders for large-scale remodeling projects over ¥5 million, improved the profit margin and greatly contributing to net sales.

Under the Sixth Mid-Term Management Plan, in the rental housing management business, we aim to significantly transform customer experiences and operational processes by using digital technologies to digitize procedures and realize self-guided tours. By doing so, we will pursue growth through business opportunity creation.

In the remodeling business, we will proactively implement proposal-based remodeling to update the ways housing is used in line with lifestyle changes and energy efficient remodeling to update existing insulation. At the same time, we will focus on the remodeling of rental housing to enhance satisfaction for tenants and improve asset value for owners.

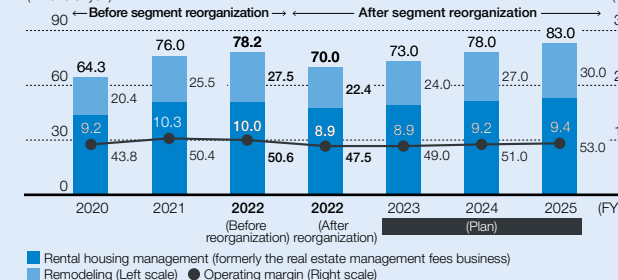
Net Sales

(Billions of yen)



Operating Profit and Operating Margin

(Billions of yen)



Supplied Housing Business

Rental Housing Management

Business Policy

Practicing property management that offers enhanced services to owners and tenants

Strategy

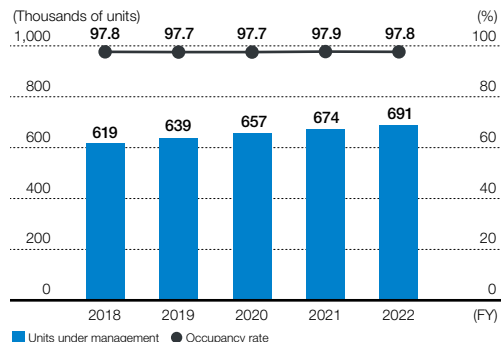
① For Owners: Maximizing asset value

- Diverse solution proposals
- Strengthening relations with owners

② For Tenants: Strengthening services

- Creating services that utilize blockchains
- Centralizing services

► Units under Management and Occupancy Rate



- ✓ Steady increase in the number of units under management thanks to the supply of newly built properties
- ✓ Enhanced value of the Sha Maison brand has led to a high occupancy rate

Stable improvement in earnings power

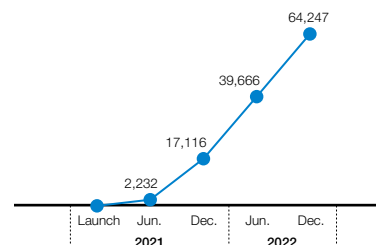
► Strengthening Tenant Services

To provide tenants of Sha Maison rental housing with better services, we are creating services that utilize blockchains, such as systems to handle utility fees and other procedures online and enable self-guided property tours. These services will enable the one-stop handling of procedures when moving in or out of a property, such as those related to utilities and administrative bodies. In addition, we are promoting online service provision using dedicated apps to centrally handle resident inquiries and applications for services.

Creating services that use
blockchains

One-stop handling of various procedures and applications using the unique traits of blockchains (nearly half of tenants use these services.)

Cumulative applications



Centralizing services

Simultaneously strengthening our ability to meet tenant needs and streamlining operations by centrally managing tenant contacts via an app linked with call centers.

Strengthening
engagement
through the
app

Highlight

Launch of Sekisui House Real Estate Holdings
Further Strengthening Collaboration within the Group

Sekisui House Real Estate Holdings Co., Ltd., a holding company for Sekisui House Real Estate companies, began operations in February 2022. The head office of Sekisui House has delegated authority to this intermediate holding company to maximize the value of the Sekisui House Real Estate Group and enhance the management of each operating company through initiatives in the following areas:

1. Formulate a growth strategy for the Sekisui House Group's real estate business
2. Control the direction of each operating company
3. Identify real estate and growth investments with a broad view of the real estate business
4. Improve services for Sha Maison tenants

Sekisui House

Intermediate holding company



Sekisui House Real Estate Holdings

Sekisui House Real Estate Tohoku

Sekisui House Real Estate Tokyo

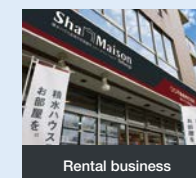
Sekisui House Real Estate Chubu

Sekisui House Real Estate Kansai

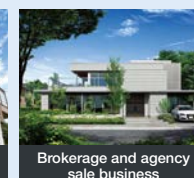
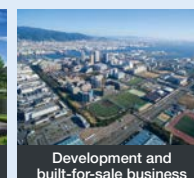
Sekisui House Real Estate Chugoku
& Shikoku

Sekisui House Real Estate Kyusyu

Sekisui House Real Estate Partners



Rental business

Brokerage and agency
sale businessDevelopment and
built-for-sale business

Sekisui House Real Estate Holdings(Japanese Only)

Supplied Housing Business

Remodeling

Business Policy

Proposals to extend the life of our robust housing stock and enhance its asset value backed by our track record in supplying a cumulative total of 2.5 million units

Strategy

- 1 Detached Houses: Strengthening large-scale remodeling**
 - Proposal-based remodeling
 - Energy efficient remodeling

Detached Houses

► Strengthening Large-Scale Remodeling of Detached Houses

To strengthen large-scale remodeling of detached houses, we are advancing two types of remodeling: proposal-based remodeling to update residences in line with changes in family composition or lifestyle, and energy efficient remodeling to update thermal insulation and install the latest energy-conserving, energy-producing and energy-storing equipment. In the former, our Family Suite Renovation proposals have been well received, as has, in the latter, the SMART-ECS next-generation indoor environment control system.

Targets for remodeling by type (FY2025)

Proposal-based remodeling: 45%
Energy efficient remodeling: 35%

- 1 For owners of properties built between 1960 and 2000**

Idocoro Dan-netsu

Warm in winter, cool in summer; thermal insulation enhancement, mainly in the central living space

SMART-ECS renovation

Fresh air/ventilation system + air purification

- 2 For owners of properties built from 1990 to present**

Energy generation remodeling

Private power generation using storage cells and Ene-Farm

Era of low-performance insulation

1992
New energy-efficiency standards

1999
Next-generation energy-efficiency standards

Era of high-performance insulation

Era without ventilation systems

2003
24-hour ventilation systems become mandatory

Era of ventilation system installation as standard

- 2 Rental Housing: Asset value-enhancing renovation**

✎ Remodeling business (Japanese only)

Rental housing

31st-year renovation

28th-year renovation

Rental housing (Sha Maison) Renovation

Enhancing asset value

Higher rents
Higher occupancy rates

Increase in owner satisfaction and units under management (newly built/ repeat)

FY2025 Targets

Rental housing renovations: 8,400 units

Note: Around 6,000 units were renovated in FY2022

Highlight

Personal Suite Renovation

—Creating Happy Moments for Couples

The Family Suite was launched in 2018 as a new proposal for family living based around a spacious living room in newly built detached houses. The concept was developed through the Human Life R&D Institute's research into home where happiness grows the longer you reside in them. Based on its popularity for newly built houses, in 2019 we launched Family Suite Renovation, a version of the proposal for remodeling existing homes.

Personal Suite Renovation, meanwhile, was launched in October 2022. Developed from the Family Suite Home Premium concept for newly built detached houses launched in August 2020, this remodeling proposal focuses on creating moments of happy time for both halves of married couples.

Many customers are increasingly spending time at home and with their spouses due to changes in their life stage and in society. By incorporating the space of children's rooms or storage areas that are no longer needed into the master bedroom, we offer a new way of living that keeps couples from feeling cramped together, allows them each time and space of their own, and facilitates comfortable, refreshing sleep.



A room remodeled to let the couple feel close but not cramped



Business Strategy

Development Business

This business starts with investments such as acquisition of land for development into houses for sale, condominiums for sale or rent, or office buildings to help create high-quality, verdant communities with good asset value. We emphasize ROA-focused management in development that generates stable earnings by improving asset turnover and acquiring prime land.

Real estate and
brokerage

Condominiums

Urban redevelopment



Review of the Fifth Mid-Term Management Plan and Strategies Going Forward

In the development business, we advanced the key measures “pursue ROA management” and “generate stable profit by improving turnover and acquiring prime land.”

In the real estate and brokerage business, we actively worked to purchase prime land. At the same time, in response to lifestyle changes brought about by the COVID-19 pandemic, we used livestreamed online property tours, such as *Ouchi de Tochi Sagashi*, and focused efforts on promoting sales to customers considering acquiring land in suburban areas that offer more greenery, spacious lots and beautiful townscapes. Orders were strong.

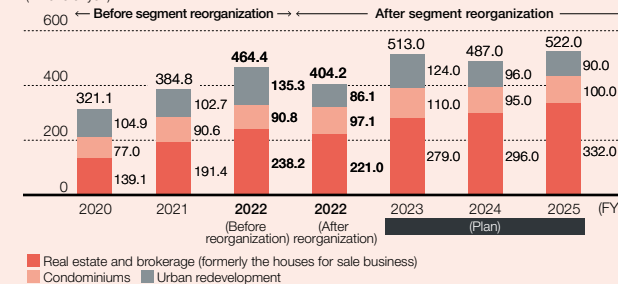
The condominiums business advanced the development and closings of its high-value-added GRANDE MAISON condominiums using a thorough area strategy as well as environmental performance and lifestyle proposals cultivated in the custom detached houses business, and sales were strong. We also proactively acquired properties in prime locations in the four metropolitan areas of Tokyo, Nagoya, Osaka and Fukuoka. In addition, as announced in October 2021, we are reinforcing our decarbonization efforts by making all units ZEH in GRANDE MAISON condominiums sold from FY2023 onward.

The urban redevelopment business sold office buildings and hotels, including its stakes in Grand Front Osaka and W Osaka, as well as Prime Maison rental condominiums developed by the Company to Sekisui House Reit, Inc. and institutional investors, working to improve the asset turnover ratio. Occupancy rates remained firm for Group-owned properties, including office buildings and Prime Maison properties developed by the Company. However, earnings from hotels decreased as a result of factors including a decline in the number of tourists due to the impact of the COVID-19 pandemic.

Under the Sixth Mid-Term Management Plan, we will leverage the brand strength of GRANDE MAISON and Prime Maison, focusing on supplying high asset-value properties in rigorously selected areas while advancing mid- and large-scale urban development projects that will become symbols of the surrounding communities, such as ZEB offices, hotels and commercial facilities tailored to urban centers. In suburban areas, we will work to develop beautiful and appealing residential land while advancing the regional revitalization-based hotel business, primarily focusing on the Trip Base *Michi-no-Eki* Stations Project.

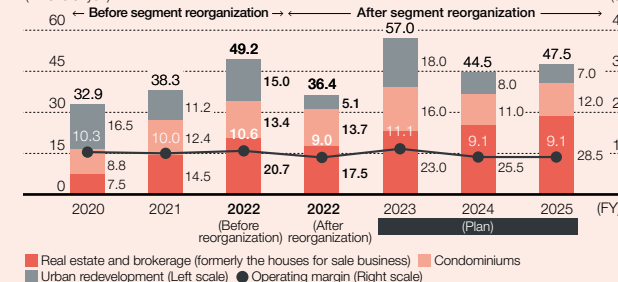
Net Sales

(Billions of yen)



Operating Profit and Operating Margin

(Billions of yen)



Real Estate and Brokerage / Condominiums / Urban Redevelopment

Business Policy

Developing cities and rural areas through sophisticated area marketing and investment decisions from a medium-to long-term perspective

Strategy

① Urban redevelopment of four main metro areas

- Housing (GRANDE MAISON and Prime Maison)
- Non-residential (offices, hotels and commercial facilities)

② Development business that contributes to regional revitalization

- Development of residential land for detached houses (house sales and brokerage)
- Regional revitalization facilities

Condominiums



We are striving to enhance the GRANDE MAISON condominium brand in the markets of Tokyo, Nagoya, Osaka and Fukuoka. Our policy is to acquire high-value-added land, carefully selected for low-rise to tower buildings, and construct condominiums for sale with all units ZEH as a basic specification from FY2023.

Rental condominiums



We sell high-grade rental condominiums under the Prime Maison brand, mainly in the Tokyo metro area. We recoup our investments through sales to institutional investors, REITs and others once completed buildings are operating stably. We will accelerate our strategy, from acquiring land to exiting, to raise the asset turnover ratio.

Non-residential urban development



The business implements large-scale urban redevelopment that includes office buildings, luxury hotels and commercial facilities. We leverage our concepts and know-how as a living environment design company to create properties that will become symbols and assets of surrounding communities.

Residential land development



We sell ready-built detached houses and residential land lots after acquiring land in areas around Japan. In addition, we conduct brokerage and resale of existing houses. We supply ready-built detached houses and develop beautiful residential land with high asset value, focusing on upgrading greenery in the environment and the resale of existing houses.

Regional revitalization facilities



We utilize land owned by local municipalities, universities, public organizations and others; promote the Park-PFI business; and provide real estate solutions aimed at solving urban issues, such as those related to medical care, nursing care and welfare. We will continue to develop Trip Base *Michi-no-Eki* Stations Project (development of lodging facilities at roadside rest areas).

Sekisui House's development business (Japanese only) GRANDE MAISON Condominiums (Japanese only) TRIP BASE *Michi-no-Eki* Stations Project (Japanese only)

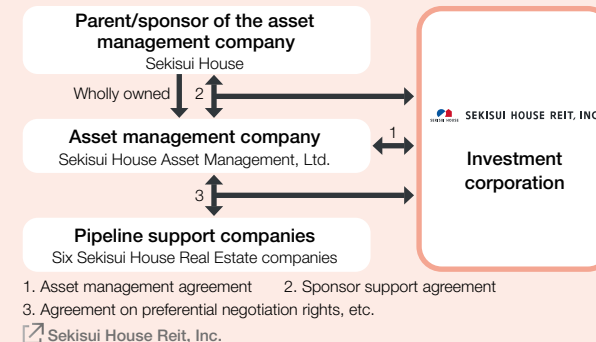
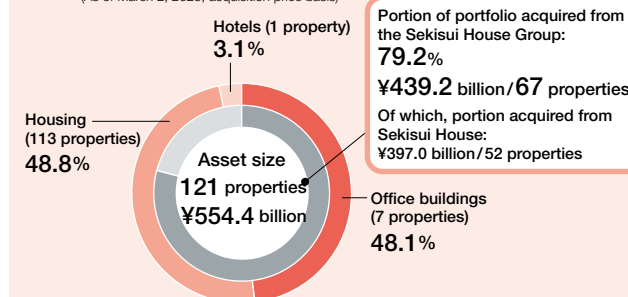
Highlight

Improved Asset Efficiency through Reinforced Collaboration with Sekisui House Reit

Sekisui House Reit, Inc. was publicly listed in December 2014, with Sekisui House as its sponsor. Since merging with and absorbing Sekisui House Residential Investment Corporation in May 2018, it has grown into a diversified REIT, today ranking 11th in asset size among the 60 J-REITs. By applying a growth strategy that makes full use of the comprehensive strengths and expertise of the Sekisui House Group and reinforcing collaboration with the Company, Sekisui House Reit contributes to investment recovery and the enhancement of asset efficiency in the development business.

► Sekisui House Reit's Portfolio

(As of March 2, 2023; acquisition price basis)



Development Business

Condominiums: Notable Projects

► **GRANDE MAISON Mizonokuchi no Mori**
Takatsu-ku, Kawasaki City, Kanagawa; to be
completed in late November 2023

This next-generation residence offers advanced services and environmental performance. The property uses a world-class facial recognition system and boasts ZEH-M Oriented and low-carbon building certifications.



Main entrance



Entrance lounge



Four-seasons forest



Common corridor space

Urban redevelopment: Notable Projects

► **Fukuoka Daimyo Garden City**
Chuo-ku, Fukuoka City; opened in
January 2023

This new large-scale complex was built by Daimyo Project TMK, a company formed by a consortium comprising Sekisui House and four other companies. Office space, a hotel (The Ritz-Carlton, Fukuoka), shopping and community facilities surround a vast open plaza, creating a borderless, cosmopolitan environment where diverse people can come together. The property is helping drive Fukuoka's evolution into a leading city in Asia.



View from the west side of the plaza toward the Event Hall



View from the east side of the plaza toward the Community Building



Conference Lounge



Fukuoka Daimyo Garden Bio Square shopping floor



Highlight

Opening of the The Ritz-Carlton, Fukuoka

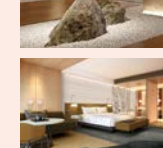
The First Marriott International Luxury Hotel in Kyushu

The Ritz-Carlton, Fukuoka opened on June 21, 2023, becoming the sixth Ritz-Carlton Hotel in Japan. It stands adjacent to the Tenjin district, an area of concentrated shopping, tourism and business. Just a 5-minute walk from Tenjin Station, the hotel boasts an incredibly convenient location. With sweeping views only afforded by the upper floors of a high-rise, the hotel features 167 guest rooms and offers six restaurants and bars where guests can enjoy fine dining and cocktails. In addition to the conference rooms and ballrooms for business and special events, The Ritz-Carlton, Fukuoka features a romantic chapel for weddings or other celebrations. With an indoor pool, a gym, and brand's famous The Ritz-Carlton Spa, the hotel offers the ultimate guest experience together with legendary service to create unmatched and unforgettable memories for guests visiting Fukuoka.

In The Ritz-Carlton, Fukuoka is designed to express Fukuoka's unique blend of old and new, respecting local traditions and culture in this cosmopolitan area while weaving together people and the city, as symbolized by the local *Hakata-ori* textiles incorporated into the décor.



18th floor hotel lobby featuring a miniature Japanese dry garden



Guest room

Arrival lobby on the first floor of the hotel



Message from the Officer in Charge of the Overseas Business

Our Dedication to the Overseas Business—a Growth Driver for Sekisui House

**Toru Ishii**

**Director of the Board
Senior Managing Officer
In charge of Division of
Development Business**

The Overseas Business, operating in the United States and other countries, has grown to account for approximately 18% of total net sales in FY2022. In the past, our business in the United States was mainly in development, but we have been expanding the homebuilding business; in addition to Woodside Homes, we welcomed Holt Homes to the Group in December 2021 and Chesmar Homes in July 2022. Our collaborative efforts with these three U.S.-based companies have been successful, driving business performance. We have set and are working toward the target of supplying 10,000 homes in the overseas business annually by FY2025, the final year of the Sixth Mid-Term Management Plan.

Under the Sixth Mid-Term Management Plan, we will implement two

major initiatives. The first is to expand our sales area in the United States through M&A to secure new platforms. Specifically, we aim to expand from the west coast and southern regions where we currently operate into the southeastern United States. The second is to roll out our SHAWOOD wooden-frame housing. Due to global climate change, demands for housing performance are changing year by year. Of our detached houses in our domestic business, 93% are ZEH, and our technical capabilities developed in Japan for withstanding increasingly severe natural disasters, such as resilient foundations and external walls, will serve as a valuable cornerstone for the overseas business going forward. A pilot project for the SHAWOOD brand that we implemented in Las Vegas was well received by the market, reaffirming our confidence that our efforts are on the right track. Following this success, in 2023, we are commencing a project of more than 50 new SHAWOOD houses in the Sommers Bend community in California. Leveraging strengths in safety, comfort and design, we will establish a market advantage with SHAWOOD, primarily in areas with high volumes of high-price new home closings.

In the U.S. multifamily business, we aim to diversify our partnerships and build a structure for collaboration to promote new development and implement diversified investment and recovery aligned with each business area.

In Australia, we are engaged in the condominium development business and homebuilding business. By implementing area strategies and establishing our brands, we aim to further expand our business in Australia into a second pillar of the overseas business, following to the United States. In Singapore, we will work to strengthen relationships with local partners Far East Organization and Frasers Property, while in the United Kingdom, we



SHAWOOD pilot project in Las Vegas

Global SHAWOOD

aim to establish business foundations through M&A.

In this way, we will continue implementing aggressive growth strategies for the homebuilding business to develop the overseas business portfolio from its previous focus on the development business into a dual-pillar structure of development and homebuilding. In FY2025, the final year of the Sixth Mid-Term Management Plan, we aim for the overseas business to account for approximately 25% of net sales and approximately 30% of operating profit. We will continue advancing the overseas business as a growth driver supporting the Sekisui House Group.



Business Strategy

Overseas Business

We sell detached houses and residential land and develop condominiums for sale or rent and other properties in the United States, Australia and elsewhere. Using the Sekisui House technologies we have cultivated in our domestic businesses in areas including safety, peace of mind and comfort, we will help resolve social issues in each country and conduct initiatives to provide new value in housing to maximize the happiness of our customers and society.

 Sekisui House Global site

Overseas Business Regions and Major Projects

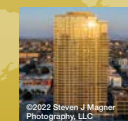
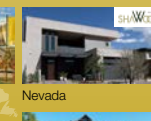
United Kingdom

China

Singapore

Australia

United States

One Holland Village
Holland VillageIngleburn Centre
Near SydneyWest Village
BrisbaneGledswood Hills
SydneyThe Merian
CaliforniaTehaleh
Washington

Nevada

CHESMAR
HOMES
TexasWoodside
UtahHOLT HOMES
Washington

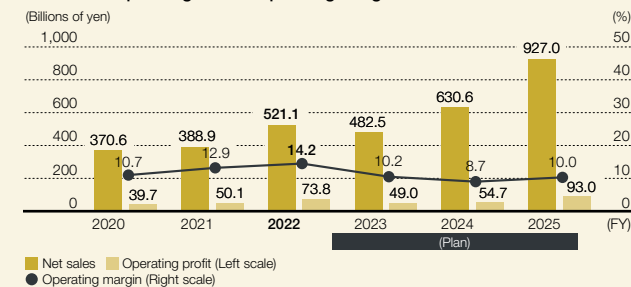
Review of the Fifth Mid-Term Management Plan and Strategies Going Forward

In the overseas business, we are focusing on creating value through happiness by transferring Sekisui House technologies internationally and integrating the housing technologies the Group has cultivated in Japan with lifestyle design proposals and services.

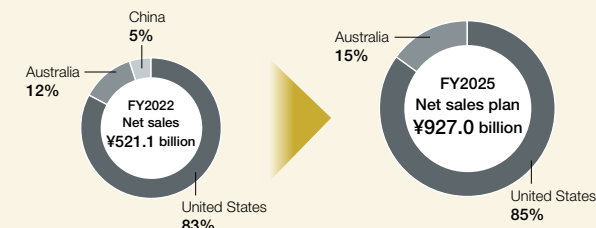
Under the Fifth Mid-Term Management Plan, we focused on enhancing quality. In cooperation with Woodside Homes, we worked to transfer Sekisui House technologies by, for example, applying the Company's strengths in lifestyle design proposals to customer engagement and products based on the two-by-four housing construction common in the United States. These efforts were well received locally and have become a strength for Woodside Homes. In addition, we steadily advanced preparations for launching general sales of SHAWOOD homes in the United States. In order to expand the successful homebuilding business model that we have pioneered with Woodside Homes, we conducted further M&A in 2021 and 2022, welcoming Holt Homes and Chesmar Homes into the Group. Both of these companies resonated with our Corporate Philosophy and global vision and share our dream of realizing this vision in the United States. In the multi-family business, we worked to strengthen cooperative relationships with an outstanding local partner. In select cities where growth is expected, we developed and leased high-added-value rental housing, steadily advancing sales of such properties at optimal times to maximize profit.

Under the Sixth Mid-Term Management Plan, we will advance business with a focus on aggressive expansion. In the development business, by working with new partners, we aim to expand our business areas from their current location along the U.S. west coast into cities in the sun belt and east coast gateway regions. By diversifying our portfolio in terms of partners, business areas and products, we seek to enhance business stability and scale. In the homebuilding business, we will implement M&A targeting areas of the United States we have not yet entered and acquire additional builders to horizontally expand our successful business model. At the same time, we will focus on reinforcing Group governance, aiming to expand business in an orderly and controlled manner. In addition, we will transfer Sekisui House technologies to the two recently acquired Group builders and builders acquired going forward, elevating lifestyle design proposals into a strength of all Group builders. We also aim to stably expand the SHAWOOD business to provide new value in the form of happiness to American customers. In Australia, we will strengthen systems aimed at further business expansion, while in the United Kingdom, we aim to secure opportunities for new initiatives. By thus reinforcing businesses and pursuing new initiatives in each country where we operate, we will strive to expand the overseas business portfolio and secure greater stability.

Net sales / Operating Profit / Operating Margin



Net Sales by Country



Overseas Business

U.S. (Homebuilding business, master-planned community business)

Business Policy

Expanding our sales area through M&A and comprehensively promoting the transfer of technologies, including product and lifestyle proposals

Strategy

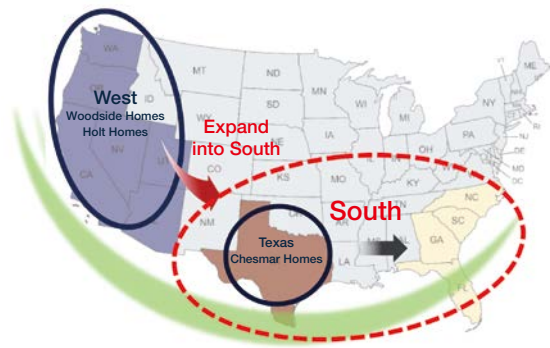
1 Builders M&A

- Strengthening governance for the Group's builders
- Proactively promoting intragroup collaboration
- Entering the southeastern United States through M&A

2 Technology transfer

- Transferring Sekisui House technologies
- Expanding our own brand (SHAWOOD)

► Entering the southeastern U.S. through M&A



Western U.S.

Housing sales
Roughly 25% share of the
U.S. market
High-end homes above \$750K
Approx. 36,000

Housing sales: Approx. 150,000 (FY2022)
High-end market: 24% of homes are
priced above \$750k
Harbor and transport: Easy marine
transport, short land-travel distance

Data source: U.S. Census
Because data on homes priced above \$750,000 was not available for the southern United States for
2022 onward, figures for homes priced above \$500,000 are shown.

Southern U.S.

Housing sales
Roughly 60% share of the
U.S. market
High-end homes above \$500K
Approx. 122,000

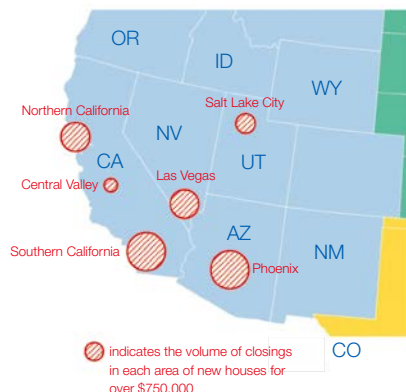
Housing sales: Approx. 394,000 (FY2022)
High-end market: 31% of homes are priced
above \$500K
Harbor and transport: Easy marine transport,
SHAWOOD business also feasible

► Technology Transfer and Expansion of SHAWOOD

As we work to develop markets through Woodside Homes, Holt Homes and Chesmar Homes, we are advancing the transfer of Sekisui House technologies with an eye to launching lifestyle proposal products, promoting customer approaches based on data analysis and engraining brand loyalty. At the same time, we will roll out SHAWOOD, our brand of houses that features outstanding safety, comfort and design, mainly in areas with high volume closings of high-priced new houses, such as California, Nevada, Arizona and Utah.

Rollout of SHAWOOD

2023
Launched prototype sales in Sommers Bend, California
2024
Closing on 150 units, mainly in California and Nevada
2025
Closing on 300 units in California, Nevada, Arizona and Utah



Highlight

Meet Our Group Builders—Working Together to Create Value through Happiness

Our U.S. homebuilding business kicked off in earnest when we welcomed Woodside Homes into the Sekisui House Group in 2017. Since then, the transition to a lifestyle proposal-based, value-oriented business tailored to customer lifestyles has proceeded smoothly, and we have welcomed two new builders into the Group. Each of these companies differs in its corporate culture, business strategies and business area. To bring them together to advance operations as united members of the Sekisui House Group, we are building a cooperative framework centered on SH Residential Holdings (SHRH). We have selected a local hire—the longtime CFO of Woodside Homes—to serve as CEO of SHRH, and are working to transfer Sekisui House technologies and enhance governance systems in order to generate value through happiness.

Holt Homes HOLTHOMES

Holt Homes joined the Group in December 2021 and operates in Oregon and Washington. Holt has established a particularly strong presence in the Portland market, where the development permitting process is especially strict and barriers to entry are high. To expand from its focus on first-time homebuyers, Holt is focusing on uncovering customers beyond the entry-level and tapping into the needs of potential customers to develop new markets.

Chesmar Homes CHESMAR HOMES

Chesmar Homes joined the Group in July 2022. Based in Texas, Chesmar operates mainly in Houston, Dallas, Austin and San Antonio. Chesmar stands out for its corporate culture that emphasizes human happiness as well as its high customer satisfaction and the ability of its design experts to flexibly accommodate customers. Chesmar is proactively developing the high-end market and may be part of the SHAWOOD rollout in the future.



U.S. (Multifamily business)

Business Policy

Promoting new development while diversifying business areas and partnerships

Strategy

1 Partnerships

—Diversifying business areas and partnerships

2 Portfolio

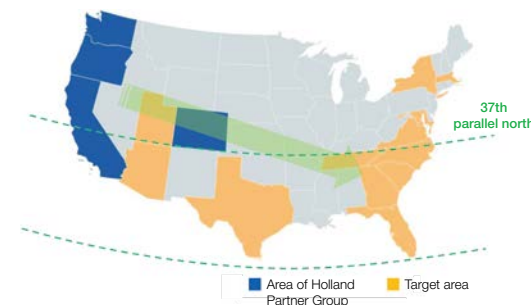
—Diversified investment and recovery aligned with the business area

► Multifamily business

We are working to expand and diversify our business area, from the west coast gateway region where we have operated until now, to include the sun belt and east coast gateway regions. In addition to the urban mid- to high-rise projects we have implemented to date, we are shifting to a project mix that includes suburban low- to mid-rise and rural low-rise projects to diversify our investments. We will build a high-quality portfolio by maximizing profits through asset turnover while keeping a close eye on market conditions.



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Australia, Singapore, and the United Kingdom

Business Policy

Aiming to secure robust business foundations and, to this end, striving to establish our brand capabilities and strengthen relationships with local partners in a way aligned with each country's market conditions

Strategy

Australia

Developing our operations into the second largest pillar of the overseas business through the execution of area strategies and the establishment of our brand presence

► Condominiums Development Business

We are developing condominiums, commercial facilities and complexes in Sydney and Brisbane. We aim to transition to a more efficient portfolio that balances medium- to long-term large projects, in which we can leverage our strengths, and short-turnaround projects, and to establish brand equity via condominium product planning based on analyses of local needs.



► Homebuilding

We are steadily working to acquire land for the SHAWOOD business in the high-end markets of Sydney's suburbs (northern coasts, southern coasts and northwestern and South Coast areas) and to realize an integrated system for processes from the receipt of inquiries to after-sales service following closing in order to enhance brand recognition.



Singapore

Securing close partnerships with prominent corporations in Asia

We are working to develop closer partnerships with leaders in Asia's real estate sector. We will advance joint business based on win-win relationships that combine their strengths with ours.



United Kingdom

Executing M&A to transfer our technologies and expand into new business fields

We will develop businesses focused on pursuing the possibilities of pre-engineered housing while tackling social issues arising from the housing shortage and delivering higher quality housing. We are also considering M&A with builders capable of embodying the core technological foundations of Sekisui House.

Financial and Capital Strategy



Yosuke Horiuchi

Representative Director of the Board
Vice Chairman, Executive Officer
In Charge of Division of Finance and ESG

Working toward our global vision, we will leverage the reciprocal effects of reinforced ROE management and ESG management to sustainably increase corporate value.

The Role of Financial and Capital Strategy in Realizing the Global Vision

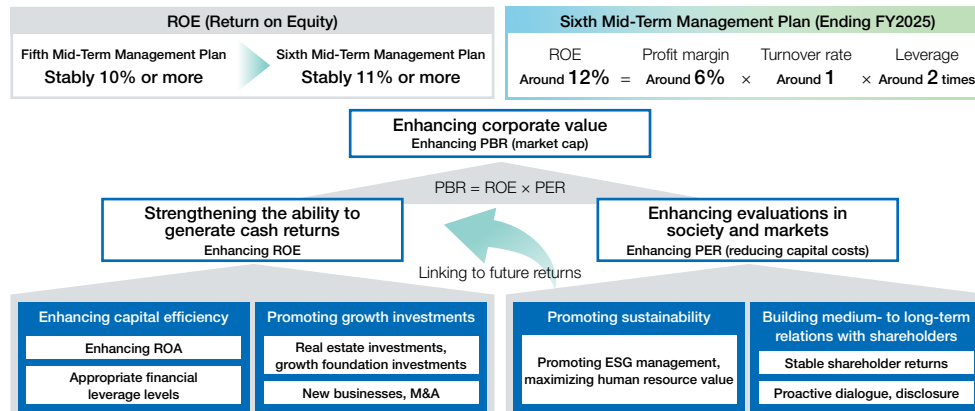
As expressed in its global vision, “make home the happiest place in the world,” Sekisui House is in the business of providing happiness through housing—a product that is an integral and long-lasting part of customers’ lives—and through services for better living. Over the long term, to live up to the trust placed in us by customers and other stakeholders, it is vital to make ongoing investments in continued business growth. To enable such investment, we must secure the requisite investment capacity and maintain our robust financial base.

Under the Fifth Mid-Term Management Plan (FY2020–FY2022), to work toward our global vision, the fundamental policy of our financial and capital strategy was to lay solid foundations for growth, striking a balance among investment for growth, efficiency, healthy finances and shareholder returns. Even amid a challenging business environment that included the effects of the COVID-19 pandemic, business performance surpassed our initial plans, and we made strong investments in growth, including M&A, while simultaneously improving our financial soundness. In terms of capital efficiency, against our target of stable ROE of at least 10%, we achieved ROE of 11.9% in FY2022, the plan’s final year, and as for shareholder returns, we increased dividends for an eleventh consecutive year and repurchased a total of ¥50 billion in Company stock over the three years of the plan.

Building on these achievements, under the financial and capital strategy of the newly launched Sixth Mid-Term Management Plan (FY2023–FY2025), we are working to further reinforce and advance ROE management and ESG management as we aim to sustainably increase corporate value.

Financial and Capital Strategy

- ▶ We aim for sustainable improvement in ROE by strengthening our ability to create cash returns through the enhancement of capital efficiency and the promotion of growth investments.
- ▶ We work to reduce capital costs through the further promotion of ESG management.
- ▶ We enhance corporate value through the reciprocal effects of enhancing ROE and promoting ESG management.



Enhancing ROE by Utilizing the Unique Revenue Structures of Each Business Model

The Sekisui Group boasts the highest cumulative number of dwellings built of any housing manufacturer in the world. Over more than 60 years, we have built and honed our core competencies—our technical capabilities, construction capabilities and customer base—and developed four business models using our unique value chain: the built-to-order business, supplied housing business, development business and overseas business. These business models all have different revenue structures. Leveraging the specific characteristics of each, under the Sixth Mid-Term Management Plan, we aim to stably generate ROE of 11% or more.

In FY2022, the Sekisui House Group recorded operating profit of ¥261.4 billion, of which, ¥188.1 billion, or about 70%,¹ came from the built-to-order business (contracting of custom detached houses and rental housing and architectural/civil engineering) and the supplied housing business (real estate management, remodeling, etc.). These are asset-light business models that do not require major capital investments, and are closely linked to one another. For example, within the built-to-order business, in the rental housing construction contracting business, we concentrate management resources in urban areas via thorough area marketing strategy. As a result, we build rental housing in prime locations and with excellent conditions that enjoys consistently high occupancy. This, in turn, increases the number of newly built

properties under management and helps maintain high occupancy rates in the rental housing management and operational support businesses within the supplied housing business, contributing to stable growth and revenue.

The targets of the supplied housing business, including for remodeling, are the owners of the properties we have built, whose numbers increase each year, and the delivered buildings themselves. While asset-light, this business's targets thus continue to grow, so we expect ongoing stable growth going forward. We are proactively investing the capital provided by the built-to-order and supplied housing businesses into the development and overseas businesses, which require significant capital investment, including for the purchase of land. By doing so, we are building a business model that provides big returns through high-quality development.

By thus utilizing the specific characteristics of each business model and the links between them, we will realize stable growth in Japan, even amid population decline, and proactive growth overseas.

Furthermore, to raise ROE, working out strategy down to the actual front lines of each business is crucial. Beginning in FY2023, we have introduced management methods for each individual business to further enhance the link between the business strategy and organization and revised the composition of the reportable segments. We will clarify how each business division should work to increase ROE, which we have set as a KPI for the Group, and align our efforts to increase corporate value.

Investing in Foundations for Growth to Support Aggressive Real Estate Investment and Ongoing Corporate Growth

In terms of growth investment, we will continue to aggressively invest in real estate as a field where strong growth is forecast. Because real estate investment generally entails risk, we carefully select investment areas, set a hurdle rate (the minimum acceptable internal rate of return) based on the cost of capital as an investment criterion and prioritize asset turnover in making investment decisions. For the development business and overseas business, in which the scale of assets is particularly large, we emphasize ROA and work to improve asset efficiency through ongoing monitoring. In these ways, we maintain appropriate financial discipline to control risk while advancing aggressive investment.

Based on the Sixth Mid-Term Management Plan's fundamental policy of "stable growth in Japan and proactive growth overseas," we plan to invest ¥3 trillion over three-year period of the plan, comprising ¥1,300 billion in domestic investment (up approximately ¥330 billion from the previous mid-term plan) and ¥1,700 billion in overseas investment (up approximately ¥680 billion). Furthermore, in order to explore the possibilities of a variety of businesses in Japan and overseas, we have allocated ¥200 billion for investment in new businesses and M&A and ¥100 billion for investment in foundations for growth, including human resources, IT, DX, R&D and enhancing productivity.

Investment in Real Estate (Billions of yen)			
	Domestic business	Overseas business	Total
Investment	1,300.0 (962.9)	1,700.0 (1,014.4)	3,000.0 (1,977.4)
Recovery	1,300.0 (857.6)	2,000.0 (1,280.7)	3,300.0 (2,138.3)

Note: Figures in parentheses indicate results under the Fifth Mid-Term Management Plan.

Investment in Foundations for Growth (Over Three Years)

Investment in Foundations for Growth	¥100 billion (Human resources, IT, DX, R&D, and enhancing productivity)
New businesses, M&A	¥200 billion (Promotion of proactive growth for overseas business)

¹ Calculated based on the FY2022 segments. The ratio after segment reorganization is 76%.

Applying Sekisui House's Business Models in the United States

In the U.S. housing market, built-for-sale homes are the mainstream—the business model of providing housing that is both custom-built and pre-engineered, as Sekisui House does, does not exist there. Woodside Homes, which joined the Group in 2017 via M&A, is therefore pioneering this business model in the United States. Unlike typical built-for-sale housing, after receiving the construction permit, starting foundation work and receiving the sales permit, Woodside meets with customers to consider a range of options, providing a new kind of homebuying experience. Based on this business model, Woodside Homes has seen strong growth. I believe this is because Woodside's employees have embraced Sekisui House's approach to housebuilding. This is one more reason that, when selecting companies for M&A, I think we should focus on how closely candidates align with our vision and whether we will be able to work together to provide high-quality housing.

During the period of the Fifth Mid-Term Management Plan, U.S.-based builders Holt Homes and Chesmar Homes become part of the Sekisui House Group through M&A. We have set the target of supplying 10,000 detached houses per year in overseas markets by FY2025. In FY2022, we supplied 3,753 in the United States; we estimate that we can increase this to around 6,000 to 7,000 in FY2025, the final year of the Sixth Mid-Term Management Plan, via the organic growth of our three U.S. builders. In the United States, following the rapid increase in home mortgage rates, we will need to carefully monitor housing demand. However, we have so far not seen any decrease in latent demand for new houses, so we will advance considerations of additional M&A to welcome new partners to the Group in pursuit of further growth.

The Financial Impact of Productivity Improvements

As part of investments in the foundation for growth, we invest in improving productivity at factories on an ongoing basis. Take, for example, our proprietary Flexible B System construction method used for heavy-gauge steel frame three- and four-story houses and rental housing. Because we have obtained type-approval for this construction method, we are able to forgo some building inspections and structural calculations, shortening the construction period. Furthermore, because its heavy-gauge steel rigid structure does not require major pillars, it enables highly flexible spatial design that can accommodate narrow or irregularly shaped urban lots and facilitates appealing design. Proprietary construction methods like this are a strength of Sekisui House, helping shorten construction time, enhance design and strengthen cost competitiveness, and because they are our own, the resulting improvements in factory productivity generate a significant positive financial impact for the Group.

Under the Sixth Mid-Term Management Plan, we plan to invest in heavy-gauge steel frame production lines to optimize our supply structure in line with the growth of the rental housing business, and we will advance investment in

improving productivity, including the proactive use of AI and IoT technologies.

Maximizing Human Resource Value to Increase Corporate Value

It is no exaggeration to say that Sekisui House has prioritized human resource development at every step of its history. We consider investment in human capital a particularly important aspect of investment in the foundation for growth. In addition, under our global vision, we are now focusing Company-wide efforts on supporting the self-directed career development of employees to foster an innovative corporate culture. Since 2021, we have been holding career interviews five times a year. Separate from performance review meetings, these regular meetings of employees with their supervisors are opportunities for employees to chart their own career vision and examine what they can do to achieve it and grow. We believe that such initiatives will create virtuous cycles, increasing human resource mobility and thus fostering an innovative corporate culture over time.

In addition, the Sekisui House Innovation & Performance (SHIP) Awards Program, launched for all employees in 2022, is already showing signs of creating virtuous cycles—from the excitement of the award ceremony to the wave of positive responses from employees. The number of ideas entered in the program's second year was up dramatically from the first, and I feel that the program's theme of "innovation and communication" has really reached employees. With the help of such initiatives, I hope that we can make Sekisui House a company full of people who think for themselves and step up. We seek to maximize our human resource value and, by doing so, increase our social value and corporate value. We will not hold back on investment or support to this end.

Maintaining Appropriate Levels of Financial Leverage

Under the Sixth Mid-Term Management Plan, we plan to aggressively make growth investments, including real estate and M&A, and we emphasize credit ratings as a standard for evaluating appropriate levels of financial leverage. By maintaining financial soundness commensurate with business risk, we aim to maintain ratings of AA in Japan and A



Financial and Capital Strategy

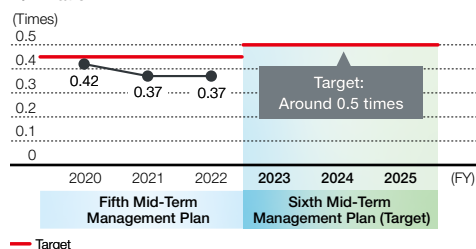


overseas. Specifically, based on the assumption of maintaining these ratings, we have set the targets of a D/E ratio of about 0.5 times (compared with a target of under 0.45 in the previous mid-term management plan) and a debt repayment term (net debt/EBITDA) of less than about 1.5 years (less than 1.0 year under the previous plan). By applying these guidelines, we will maintain a balance between investment and financial soundness.

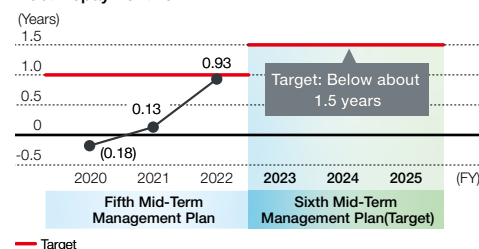
Long-term credit ratings (as of March 2023)

Japan Credit Rating Agency (JCR)	AA
Rating and Investment Information (R&I)	AA-
S&P Global Ratings (S&P)	A

D/E Ratio



Debt Repayment Term



Stable Returns and Improved Value for Shareholders

In FY2022, we paid annual dividends per share of ¥110, up ¥20 year on year. For FY2023, we plan to pay dividends per share of ¥118, for a 12th consecutive year of dividend increases.

Maximizing shareholder value is a top priority for Sekisui House. Under the Sixth Mid-Term Management Plan, in addition to our existing policy of targeting a medium-term average dividend payout ratio of 40% or more, to further stabilize shareholder returns, we have set ¥110 as the minimum for annual dividends per share and will flexibly implement purchases of Company stock to increase shareholder value. In FY2023, we plan to implement stock repurchases of up to ¥40 billion (up to 18 million shares).

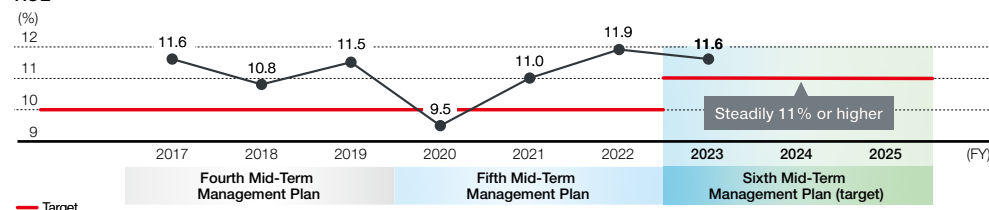
In addition, we will gradually reduce cross-shareholdings to improve the balance sheet. Under the Sixth Mid-Term Management Plan, we aim to reduce these holdings to 3% or less of consolidated net assets (from 4.6% as of January 31, 2023).

Enhanced engagement with shareholders and investors is key for the Sekisui House Group to grow sustainably and increase its corporate value. We will continue to proactively conduct investor relations activities and appropriately reflect your suggestions and opinions in our management.

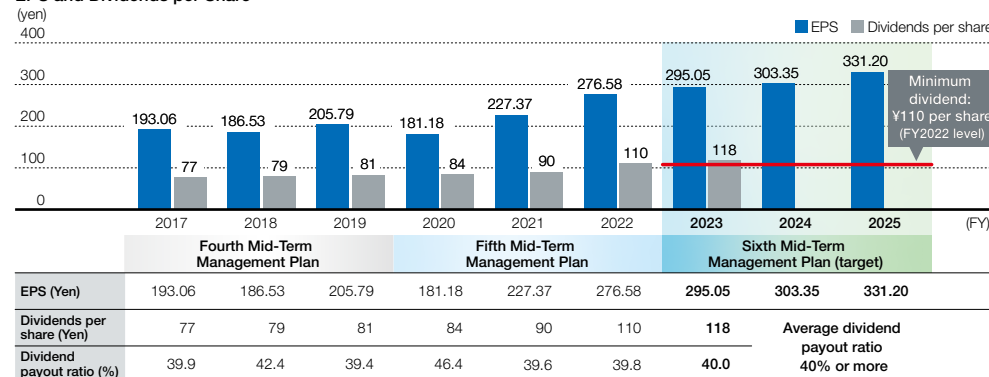
ROE Target and DuPont Analysis Projection

	ROE =	Profit margin	×	Total asset turnover ratio	×	Financial leverage
Fifth Mid-Term Management Plan (final year results)	11.9%	6.3%		1.01		1.84 times
Sixth Mid-Term Management Plan (three-year period targets)	Steadily 11% or higher					
Sixth Mid-Term Management Plan (final year targets)	Around 12%	Around 6%		Around 1		Around 2 times

ROE



EPS and Dividends per Share



Note: EPS for FY2024 and FY2025 is calculated based on the forecast average number of issued and outstanding shares in FY2023.

Financial Analysis

The Sekisui House Group Scope of Consolidation

The Sekisui House Group comprises Sekisui House, Ltd., 345 consolidated subsidiaries and 40 equity-method affiliates. The FY2022 consolidated financial statements reflect the operating results and financial position of these companies.

Operating Results

Consolidated net sales increased ¥339.2 billion year on year, or 13.1%, to a record high ¥2,928.8 billion, due to increased sales from all business models.

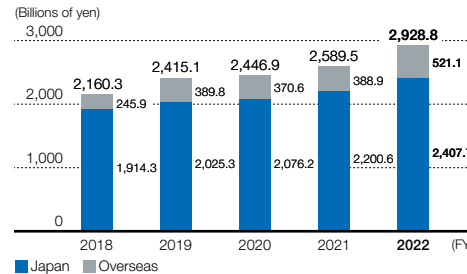
Consolidated operating profit increased ¥31.3 billion year on year, or 13.6%, to a record of high ¥261.4 billion, due to increased revenue in the houses for sale and urban redevelopment businesses as well as an increase in revenue in the overseas business resulting from housing sales and progress in property sales in the United States, despite decreased revenue in the built-to-order business.

Consolidated ordinary profit increased ¥27.1 billion year on year, or 11.8%, to ¥257.2 billion, mainly due to the increase in operating profit.

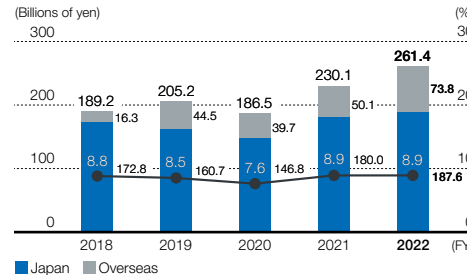
Profit attributable to owners of parent increased ¥30.6 billion, or 19.9%, to ¥184.5 billion.

Notably, overseas net sales increased ¥132.1 billion, or 34.0%, to ¥521.1 billion, and overseas operating profit increased ¥23.7 billion, or 47.3%, to ¥73.8 billion.

Net Sales



Operating Profit

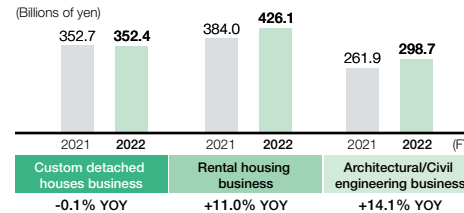


Results by Segment

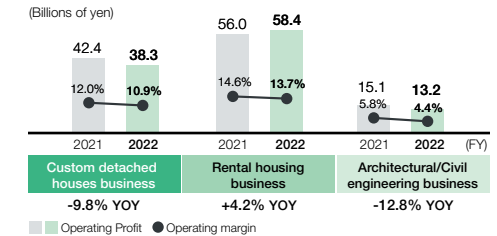
Built-to-Order Business

In the built-to-order business, net sales totaled ¥1,077.3 billion, up ¥78.6 billion, or 7.9% year on year, but operating profit was ¥109.9 billion, down ¥3.7 billion, or 3.3% year on year. By segment, the custom detached houses business saw decreases in both sales and profit, and the architectural/civil engineering business saw increased sales but decreased profit, while the rental housing business secured increases in both sales and profit, driving the performance of the built-to-order business.

Segment Net Sales



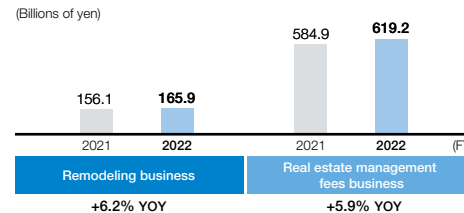
Segment Operating Profit



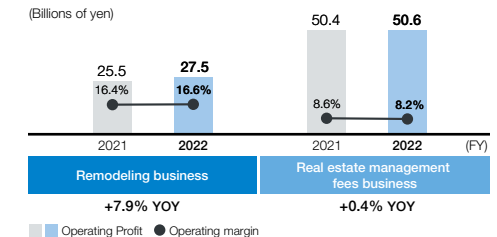
Supplied Housing Business

Supplied housing business net sales totaled ¥785.1 billion, up ¥44.0 billion, or 5.9% year on year, and operating profit was ¥78.2 billion, up ¥2.1 billion, or 2.9% year on year. By segment, the remodeling business and real estate management fees business both saw increases in sales and profit, growing the supplied housing business.

Segment Net Sales



Segment Operating Profit

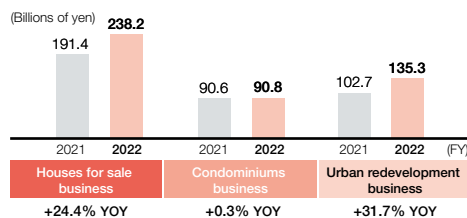


Financial Analysis

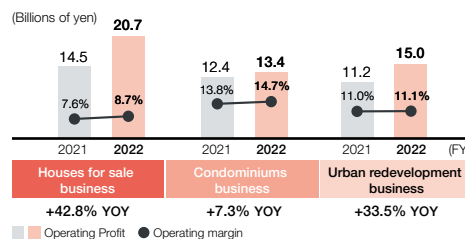
► Development Business

Development business sales totaled ¥464.4 billion, up ¥79.6 billion, or 20.7% year on year, and operating profit was ¥49.2 billion, up ¥10.9 billion, or 28.5% year on year. By segment, the houses for sale business, condominiums business and urban redevelopment business all saw increases in both sales and profit, growing the development business.

Segment Net Sales



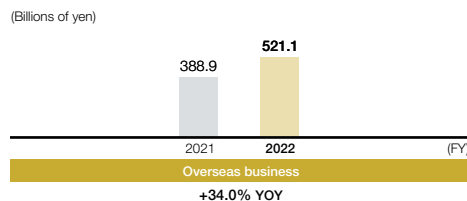
Segment Operating Profit



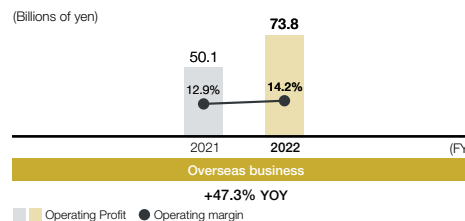
► Overseas Business

Overseas business net sales totaled ¥521.1 billion, up ¥132.1 billion, or 34.0% year on year, and operating profit was ¥73.8 billion, up ¥23.7 billion, or 47.3% year on year.

Segment Net Sales



Segment Operating Profit

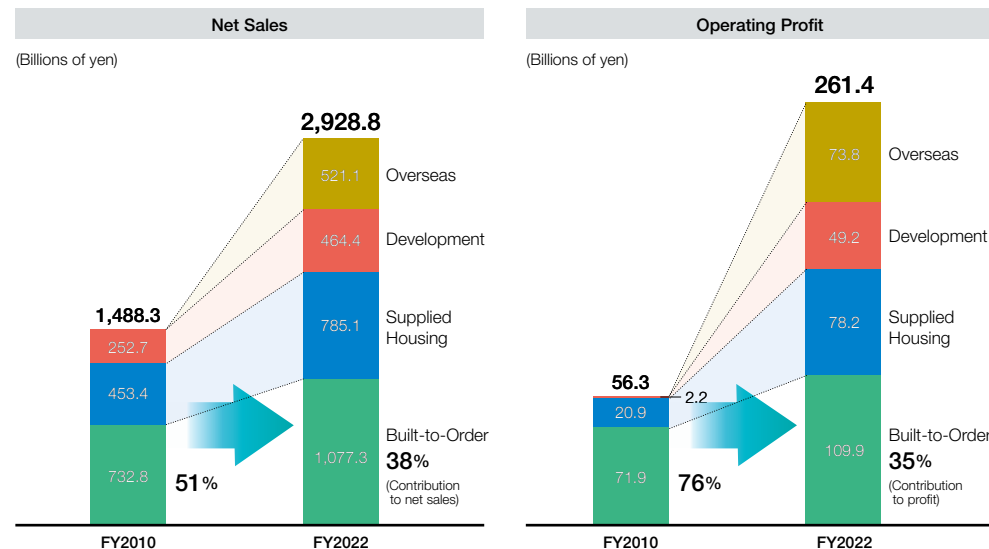


Net Sales and Operating Profit by Segment (FY2022)

The major changes to the Group business portfolio achieved since FY2021 were highly evident in the composition of net sales and operating profit for FY2022.

In FY2010, the built to order business accounted for 51%, about half, of total net sales. In FY2022, this figure was 38%, with the remainder well balanced across the supplied housing, development and overseas businesses. Over the same 13-year period, Group net sales have doubled to ¥2,928.8 billion. The change in the composition of operating profit is even more pronounced: where the built-to-order business accounted for 76% in FY2010, the expansion and growth in profit generation of all four businesses has led to total FY2022 revenue of ¥261.4 billion, 4.6 times the FY2010 level.

These achievements are the result of the Group's ongoing efforts to reform its profit structure in line with the expansion of its business centered on the residential domain, which has resulted in a shift from a business portfolio centered on the built-to-order business to a well-balanced business composition.



Note: The above segment breakdown does not include other businesses, corporate expenses or intersegment eliminations.

Financial Analysis

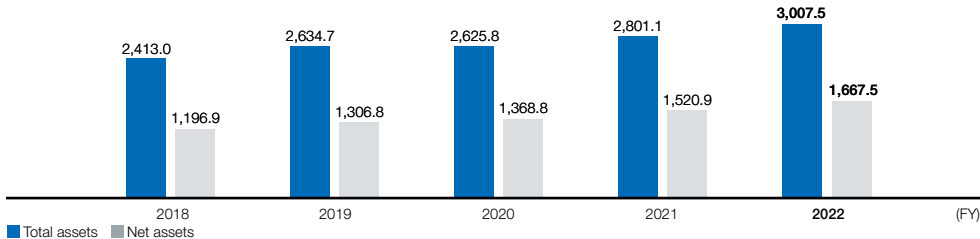
Financial Position

Total assets as of January 31, 2023 increased 7.4% from a year earlier to ¥3,007.5 billion. Current assets increased 7.2% to ¥2,093.8 billion, primarily due to an increase in real estate for sale. Non-current assets increased 7.7% to ¥913.6 billion due in part to an increase in goodwill.

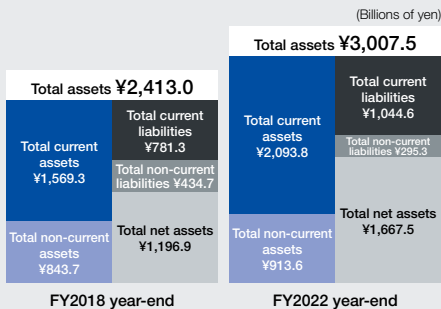
Total liabilities increased 4.7% from a year earlier to ¥1,339.9 billion, mainly due to an increase in borrowings, despite a decrease resulting from the redemption of bonds.

Net assets increased 9.6% from a year earlier to ¥1,667.5 billion, mainly due to the recording of profit attributable to owners of parent.

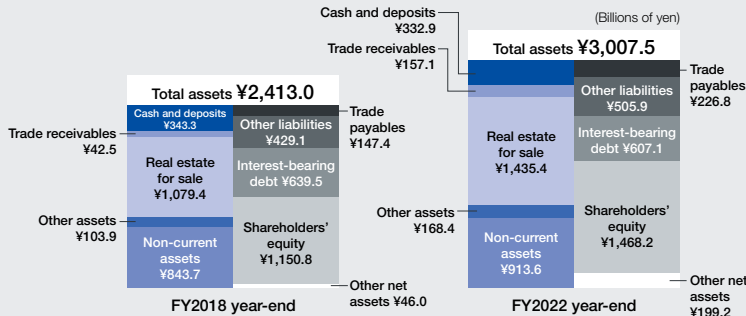
(Billions of yen)



Balance Sheet Comparison



Comparing the consolidated balance sheet at the FY2018 and FY2022 year-ends, total assets increased ¥594.5 billion to ¥3,007.5 billion at the end of FY2022. Within this, the increase of ¥524.5 billion to ¥2,093.8 billion in current assets is especially striking, while non-current assets rose ¥69.9 billion to ¥913.6 billion. Looking at liabilities and net assets, current liabilities rose ¥263.3 billion to ¥1,044.6 billion, non-current liabilities decreased ¥139.4 billion to ¥295.3 billion, and net assets increased ¥470.6 billion to ¥1,667.5 billion, marking a reduction in long-term liabilities alongside a major increase in net assets.



Within current assets, real estate for sale accounts for a large portion of the total, having increased ¥355.9 billion from FY2018 to ¥1,435.4 billion at the FY2022 year-end. This significant growth was due to proactive real estate procurement amid the favorable performance of real estate businesses in Japan and overseas as well as the M&A of builders in the United States. In contrast, interest-bearing debt decreased slightly over the same four years, reflecting the effective use of capital based on financial discipline. Within net assets, shareholders' equity increased ¥317.3 billion to ¥1,468.2 billion at the FY2022 year-end following efforts to expand equity.

Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities increased ¥7.4 billion to ¥125.4 billion due to factors including profit before income taxes of ¥267.7 billion.

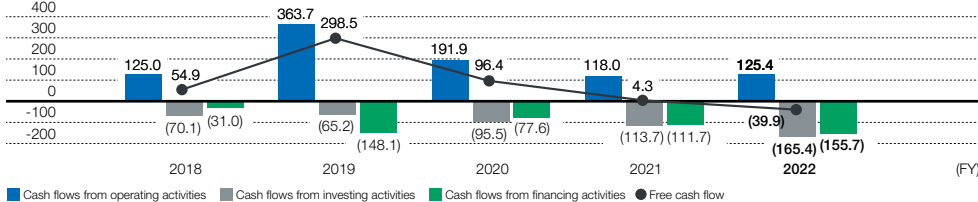
Cash Flows from Investing Activities

Net cash used in investing activities increased ¥51.7 billion year on year to ¥165.4 billion. Cash used in the purchase of property, plant and equipment, including real estate for lease, increased ¥9.2 billion to ¥92.1 billion.

Cash Flows from Financing Activities

Net cash used in financing activities increased ¥44.0 billion year on year to ¥155.7 billion. Dividends paid increased ¥10.7 billion to ¥66.4 billion, and outflows from the redemption of bonds came to ¥120.0 billion.

(Billions of yen)

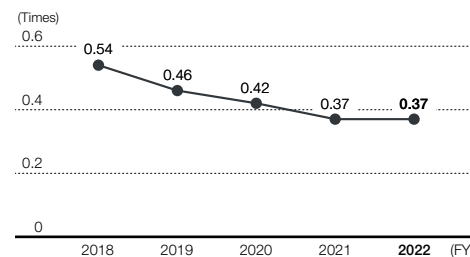


Financial Analysis

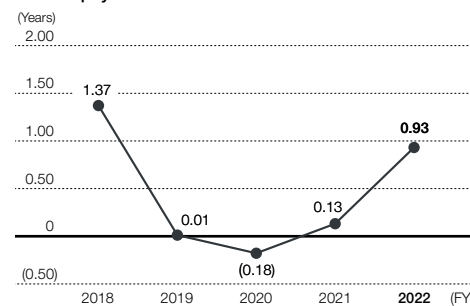
Financial Resources for Capital and Liquidity of Funds

The Group mainly requires funds for working capital as well as for investments such as the acquisition and development of real estate (including inventories). Working capital comes from internal funds, borrowings or short-term bonds (commercial paper), while funds for investment are mainly raised through bonds and loans. By selecting the most suitable funding method from these diverse options, we secure stable financial resources and reduce financing costs. In addition, to maintain financial soundness we have set medium-term targets for the D/E ratio and debt repayment term (Net debt ÷ EBITDA) of around 0.5 or less and 1.5 years or less, respectively, premised on maintaining AA credit ratings from domestic rating agencies and A ratings from overseas rating agencies. We have also entered into commitment line and overdraft contracts with multiple financial institutions, thereby ensuring ample liquidity.

D/E Ratio



Debt Repayment Term

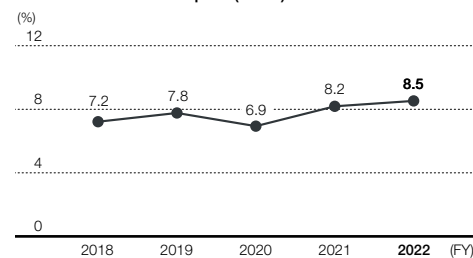


Targeted Performance Indicators

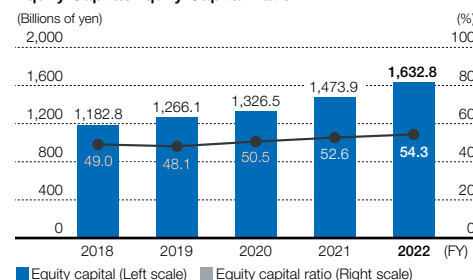
In order to promote business efficiency, we aim to strengthen our balance sheet and raise asset efficiency in each of our businesses. Through such efforts, we seek to improve the ratio of profit to total assets (ROA) and the ratio of profit to equity capital (ROE), aiming for ROA of 10% and ROE of 11% or more. In FY2022, ROA was 9.1% and ROE was 11.9%.

Other performance indicators, etc.

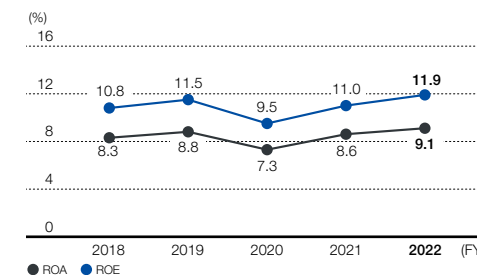
Return on Invested Capital (ROIC)



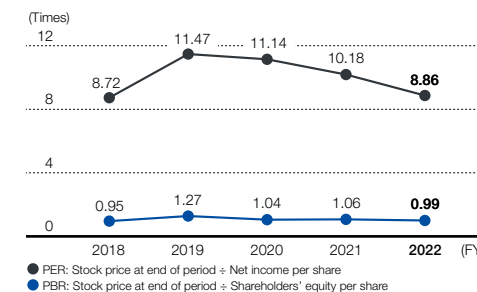
Equity Capital/Equity Capital Ratio



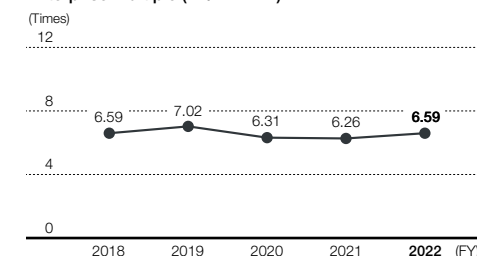
ROA/ROE



PER/PBR



Enterprise Multiple (EV/EBITDA)



ESG Strategy—Enhancing ESG Management Centered on Our Material Issues

Building on the ESG Management Foundation We Have Established, We Are Enhancing Initiatives to Generate Social Value and Increase Corporate Value

In order to be continually sought after by society as a leading company in ESG management, it is important to proactively consider how we can provide happiness to all kinds of stakeholders and take action accordingly. Based on our fundamental policies of helping resolve environmental issues through residences, making employee autonomy a growth driver, and innovation and communication, we will further enhance ESG management centered on our material issues. At the same time, to develop human resources who internalize and take ownership of ESG and think and act autonomously, we will advance ESG management that involves all employees, an approach unique to the Sekisui House Group.

Fundamental policy

Become a leading company in ESG management



Material Issues



- ▶ Helping resolve environmental issues through residences
- ▶ Making employee autonomy a growth driver
- ▶ Innovation and communication

Our Medium-Term Vision

We aim to practice our Corporate Philosophy while transforming into autonomous individuals and organizations with the power to innovate. We have therefore identified three key elements for promoting ESG management: participation of all employees, forward-thinking initiatives and improvement of external evaluations. For the participation of all employees, which we regard as especially important, we are constructing platforms for implementation, including ESG dialogues involving all employees (launched in 2020) and holding the Sekisui House Innovation & Performance Awards as a mechanism to foster innovative ESG management.

Going forward, we will further develop these efforts, striving to increase corporate value through autonomous individuals and organizations that have internalized and take ownership of ESG.

Promoting ESG management that involves all employees, an approach unique to the Sekisui House Group

Deepening ESG dialogue while expanding the scope of counterparts

→ P.46 ESG Dialogue

Fostering a corporate culture supportive of spontaneous creativity

→ P.43 Sekisui House Innovation & Performance (SHIP) Awards Program

Setting ESG indicators and pursuing their improvement

→ P.22 Creation of High-Quality Housing Stock and KPIs
→ P.26 Contributing to a Sustainable Society and KPIs
→ P.32 Diversity and Inclusion and KPIs
→ P.125 Themes and KPIs for Initiatives That Provide a Basis for Our Material Issues

Key Themes

E	S	G
Taking on ongoing issues as well as new issues in the environment field	Enhancing our corporate value via improvement in human resource value and social value	Strengthening corporate governance with regard to the two aspects of senior management and business management Driving forces of innovation and communication
Decarbonization <ol style="list-style-type: none"> 1. Further promoting Sha Maison ZEH 2. Developing foundations for promoting ZEB 3. Ensuring the early realization of RE100 and SBT targets by accelerating initiatives relative to general aspects of business activities, including supply chains Biodiversity <ol style="list-style-type: none"> 1. Rolling out the <i>Gohon no Ki</i> Project across the Group while expanding the scope of external partnerships 2. Further strengthening and promoting sustainable wood procurement Resource recycling Upgrading the zero-emission system into a circular economy → P.83 Environmental Strategy	Improvement in human resource value Enhancing the combination of employee autonomy x alignment of efforts Improvement in social value Helping resolve social issues via business and other corporate activities → P.85 Improvement of Social Value → P.41 The Sekisui House Group's Human Capital Management	Senior management level <ol style="list-style-type: none"> 1. Moving forward from the development of a corporate governance framework to the new stage of realizing its functional effectiveness 2. Increasing the sophistication of stakeholder engagement Business management level <ol style="list-style-type: none"> 1. Rolling out Group governance systems on a global basis 2. Fostering a corporate culture based on mutual trust achieved via robust communications → P.102 Direction of Governance Reinforcement Measures under the Sixth Mid-Term Management Plan

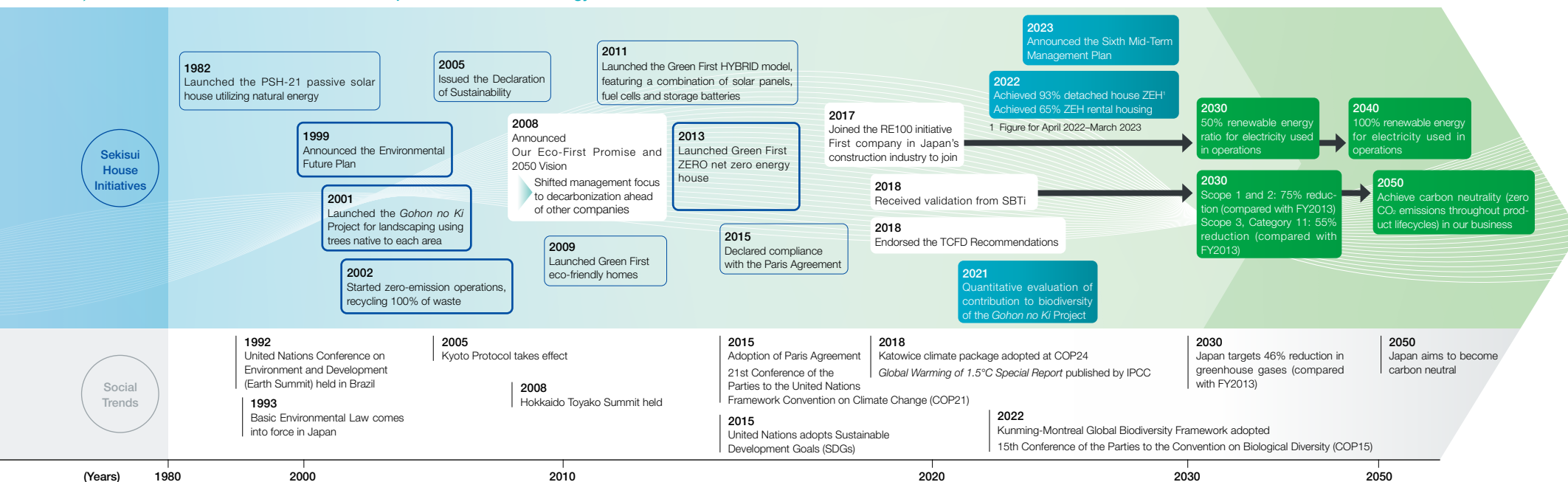
Environmental Strategy

Sekisui House Group's environmental strategy kicked off in 1982 with the launch of a passive solar house as a strategic product. In 1999, we announced the Environmental Future Plan, the cornerstone of our environmental strategy thereafter, which lays out our ideals and basic policy for initiatives. Since then we have been conducting various initiatives to effectively reduce the impact of our business activities on the global environment. In particular, positioning popularizing energy-saving housing as a core measure to help prevent global warming, we began by making double-glazed windows a standard feature, followed by high-efficiency thermal insulation and water heaters, and the launch of sales of Green First houses with solar cells and fuel cells. Then, in 2013, we were among the first in the industry to begin sales of a net zero energy house (ZEH).

In terms of business activities that include the value chain, in 2017 we were the first in the Japanese construction industry to join RE100, and in 2018 we announced our participation in the SBT Initiative; we continue to work toward our targets under these initiatives. We have also endorsed the TCFD recommendations and conduct disclosure in accordance with them. To promote biodiversity conservation, since 2001 we have been conducting the *Gohon no Ki* Project to promote the use of mainly native species in landscaping and greening. Other efforts not directly related to climate change include proactive initiatives to promote biodiversity and resource recycling.

In ways such as these, as it has since 1999, the Sekisui House Group continues to deepen and develop its environmental strategy based on an approach of integrating the resolution of various environmental issues into its business.

The Evolution of the Sekisui House Group's Environmental Strategy



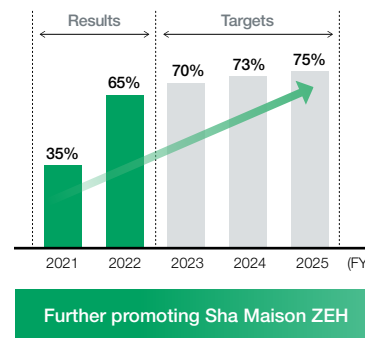
Decarbonization

► Further Promoting Sha Maison ZEH

In 2018, Sekisui House completed a Sha Maison rental housing property with all ZEH units, the first such property in Japan. Since then, we have advanced the full-scale promotion of Sha Maison ZEH.

By installing photovoltaic panels for each unit, we are promoting ZEH at the unit level that allows individual residents to sell electricity. We expect this to increase satisfaction for ethically minded residents and contribute to stable long-term operations for owners, thus increasing rental income for Sekisui House Real Estate. We believe that by providing the benefits of enhanced comfort and reduced utility costs, this housing will help convert residents into ZEH fans, increasing demand for ZEH in the rental housing market.

In FY2025, the final year of the Sixth Mid-Term Management Plan, we aim for 75% of Sha Maison units provided to be ZEH.



► Building a Foundation for Promoting ZEB

In addition to promoting ZEH detached houses, rental housing and condominiums, we are also advancing the shift toward net zero energy buildings (ZEB) in commercial buildings. We are developing ZEB designs and proposals that maximize added value, including enhanced comfort, reduced utility costs, advantages in business continuity planning and CO₂ reduction.

🔗 ZEB and ZEH-M (Japanese only)

► Decarbonizing Business Activities Including the Supply Chain

To promote the decarbonization of business activities, we continue to advance energy saving measures at offices and production facilities and the electrification of company vehicles. In addition, we are working to gain the understanding and support of housing owners to promote their participation in Sekisui House Owner Denki, a unique initiative of the Company, as we work to achieve the target of RE100. Furthermore, to decarbonize the supply chain, we hold periodic seminars for suppliers, promoting awareness and understanding of the importance of setting SBT targets and working together to advance effective initiatives to reduce CO₂ emissions.

→ P.26 Contributing to a Sustainable Society and KPIs → P.136 Contributing to a Decarbonized Society

🔗 Sekisui House Owner Denki (Japanese only)



Biodiversity

► Further Advancing the Gohon no Ki Project

Since 2001, Sekisui House has been conducting the *Gohon no Ki* Project to promote landscaping of customers' gardens. In 2021, to mark the project's 20th year, we published the results of quantitative evaluations of the project's effects undertaken in collaboration with the Kubota Laboratory at the Faculty of Science, University of the Ryukyus. These evaluations found that the project resulted in an approximately tenfold increase in the number of tree species planted in urban residential areas nationwide, which was shown to lead to a doubling of the number of bird species and a fivefold increase in the number of butterfly species that residential districts attract.

Using these results, we aim to expand the range of our activities to promote awareness and action both in and outside the Sekisui House Group by, for example, promoting the *Gohon no Ki* Project's nature-positive effects on cities and working with municipalities to promote related educational activities in schools. Recently, we have also been working to evaluate the effects of the project on health and well-being through joint research with the University of Tokyo. Through such efforts, Sekisui House's landscaping business helps to both preserve biodiversity and provide customers with the added value of happier homes via gardens where they can enjoy birds and butterflies.

🔗 Urban biodiversity forum: Gohon no Ki Project and other nature-positive initiatives (Japanese only)



► Further Strengthening Sustainable Wood Procurement

Sekisui House is advancing sustainable work procurement based on the approach of No Deforestation, No Peat, No Exploitation (NDPE) adopted by international consensus. As part of these efforts, focusing on preventing the loss of natural forests, we have adopted the rate of zero-deforestation lumber procurement as a new KPI and begun efforts at achieving a rate of 100% by 2030.

→ P.26 Contributing to a Sustainable Society and KPIs → P.146 Biodiversity conservation

→ P.152 Disclosure in Line with the Taskforce on Nature-related Financial Disclosures (TNFD) Draft Recommended Disclosures



Resource Recycling

► Upgrading the Zero-Emission System into a Circular Economy

Sekisui House aims to provide high-quality housing stock and promote its circulation while striving to reduce resource usage in business activities. During the period of the Sixth Mid-Term Management Plan, we plan to commence full-scale initiatives to evolve our existing systems into a circular economy that minimizes impacts on natural capital to the greatest extent possible through technological development in the area of resource recycling.

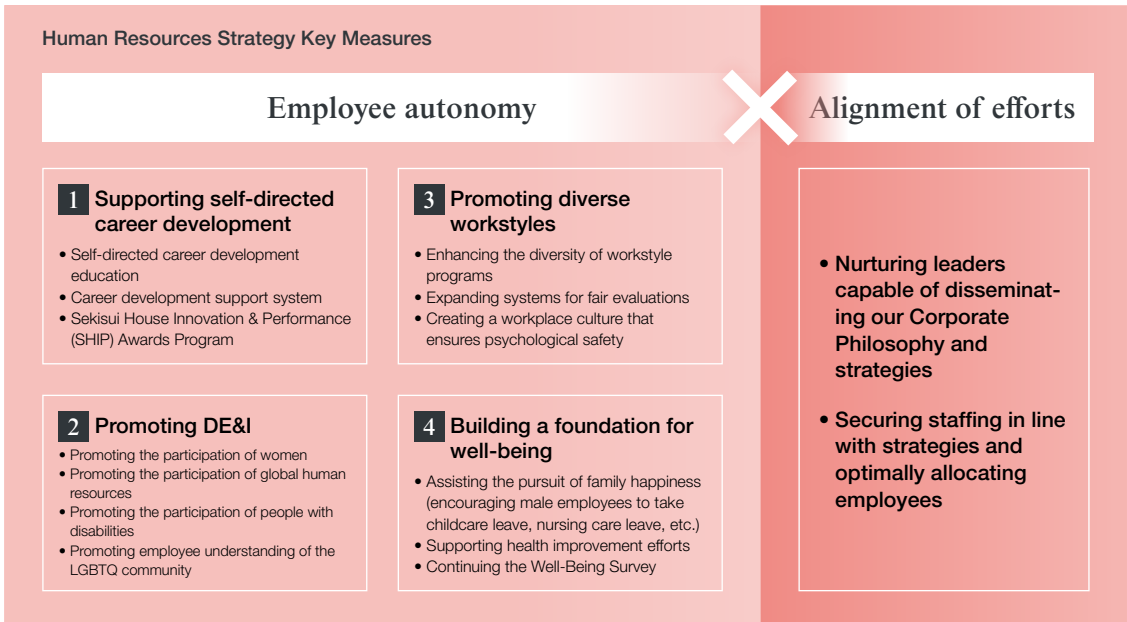
Improvement of Social Value

To better improve social value—one of the key themes of our ESG strategy—we have designated key measures from the perspectives of improving human resource value and improving social value.

Sekisui House believes that by combining employee autonomy with the alignment of efforts, it can increase Group human resource value and has therefore made doing so a key measure under its human resource strategy. We have designated four themes in this area: **1** Supporting self-directed career development, **2** Promoting DE&I, **3** Promoting diverse workstyles and **4** Building a foundation for well-being. Based on these, we will strategically work to reform systems, foster organizational culture and advance initiatives while supporting and promoting employee autonomy. Furthermore, to align the efforts of the autonomous employees developed through these efforts, we will implement the key measures of 1. Nurturing leaders capable of disseminating our Corporate Philosophy and strategies, and 2. Securing staffing in line with strategies and optimally allocating employees.

To improve social value, we will steadily implement measures under the four themes of **1** “Kids First,” **2** “Green First,” **3** Respect for human rights and **4** Regional revitalization businesses. By doing so, we will seriously work to address social issues, aiming to create and provide value through the various initiatives of the Sekisui House Group and thereby contribute to society.

Improvement in Human Resource Value



Improvement in Social Value



Human Resources Strategy

Looking Back on the Four Reforms under the Fifth Mid-Term Management Plan

To maximize the happiness of its customers, employees and communities, under the Fifth Mid-Term Management Plan, the Sekisui House Group advanced the following four human resources strategy reforms.

1 Career consciousness reform: Self-directed careers

Our self-directed career development approach continued to take root among employees, as indicated by a rise in scores for items related to employee autonomy on the Governance Awareness Survey (an employee awareness survey) conducted by Group companies. In addition, the revamped internal human resources recruitment system has been proactively used for self-directed career development, with 84 applications for the seven positions posted.

Policy
Foster awareness of self-directed career development
Key Measures
<ul style="list-style-type: none">Rebuilt the Self-Directed Career Development Course career training programSelf-directed career development courseCommunication through career interviewsUse of the Human resources recruitment system

2 Leader appointment reform: Leadership pipeline

We worked to enhance the leadership pipeline by expanding the scope of multi-rater assessments to include managerial positions with authority over employee assessments and by selecting and developing successor candidates for key positions (employed executive officers, operating officers, general managers of head office and technology and production divisions, branch heads, the Head of Technology and Head of General Affairs).

Policy
Enhance the leadership pipeline
Key Measures
<ul style="list-style-type: none">Successor management for key positionsExpanded scope of multi-rater assessment

3 Group human resources interchange reform: Group human resources database

We enhanced our human resources database both quantitatively and qualitatively, for example, enabling users to search Group-wide human resource data and creating a training program utilizing department-specific skill sheets.

Policy
Expand data input into the human resources database
Key Measures
<ul style="list-style-type: none">Expand dataIncrease usage frequency

4 Governance reform: Appropriate deployment of Group governance specialists

In Group governance, we increased the rate of divisions with governance specialists (usually persons in charge of general affairs) to 95% and launched a common Group educational program alongside the creation of training opportunities by individual Group companies. Through such efforts, we made significant progress in reinforcing governance Group-wide.

Policy
Reinforce Group-wide governance
Key Measures
Appropriate deployment of governance specialists

Key Measures under the Sixth Mid-Term Management Plan

Employee Autonomy

▶ Key Measures

In light of the steady progress made under the Fifth Mid-Term Management Plan to foster self-directed career development mindsets, under the Sixth Mid-Term Management Plan, we will work to build growth cycle mechanisms by which individuals can realize their career goals and thereby further increase human resource value through the initiatives listed at right.

Specifically, we will improve the visibility of employee skills and experience using the human resources database and build platforms for learning by expanding e-learning. In addition, we will provide opportunities for proactive career development as well as leave systems and advanced study support systems to facilitate self-directed career development. Through such efforts, we aim to expand measures to support employee growth.

▶ Aims

We aim to enable employees who are highly motivated to grow to benefit from growth mechanisms and leverage the resources of the Sekisui House Group to achieve professional success. Going forward, we will communicate examples of successes achieved by such employees to other employees to strongly motivate them to utilize similar growth cycles. We expect this to accelerate the enhancement of overall human resource value.

Key Measures
Support learning and skill growth <ul style="list-style-type: none">Improve visibility of employee skills and experienceBuild platforms for learning Provide a variety of opportunities for proactive career development <ul style="list-style-type: none">Incorporate human resources recruitmentUse career declaration tools Enable a variety of workstyles to support autonomous employees <ul style="list-style-type: none">Leave systems for self-directed career developmentAdvanced study support systems (graduate school support)Increase external assignments, internal side job system

Alignment of Efforts

▶ Key Measures

For each division of the Sekisui House Group to implement its specific strategies, external human resources are increasingly important. Through the measures listed at right, we aim to better understand the gaps between the human resources we need and those we currently have in both quantitative and qualitative terms and then increase the achievement of each division's strategies through personnel hiring and reallocation.

During the Fifth Mid-Term Management Plan, we made significant progress in enhancing the leadership pipeline of the Company, so we will now expand the scope of leader development to the entire Sekisui House Group.

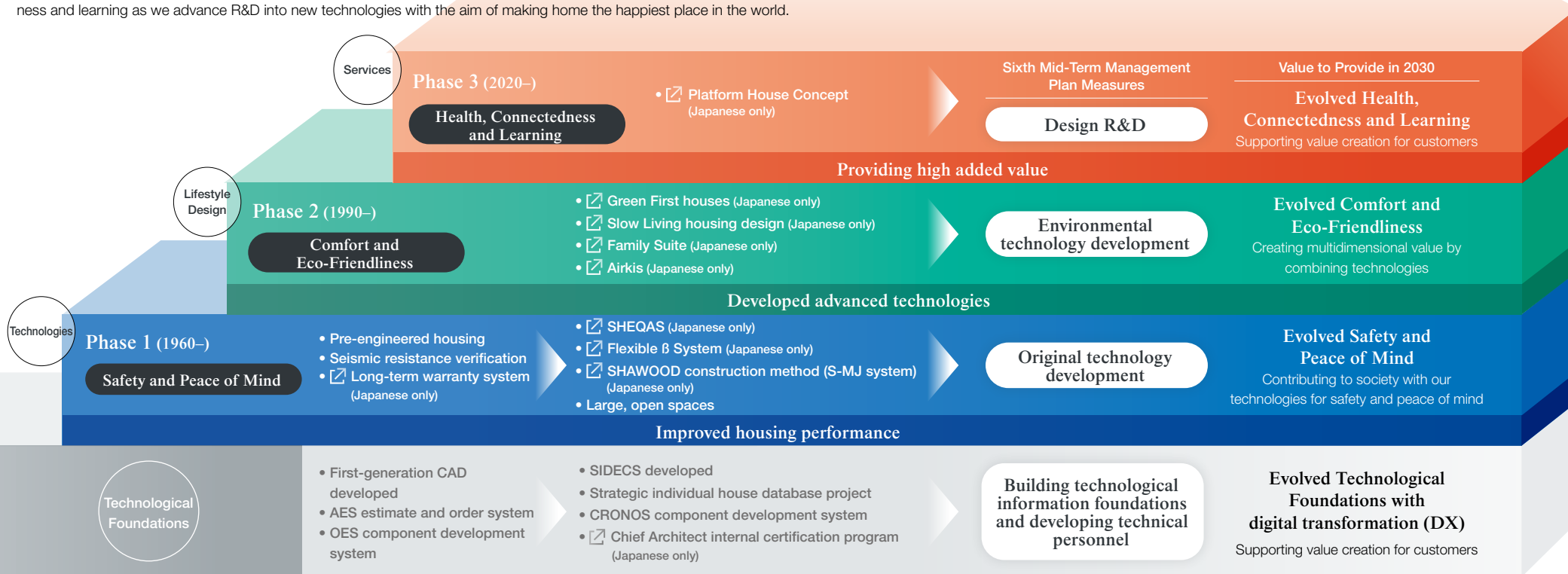
▶ Aims

Demand is particularly rising for human resources with governance knowledge, advanced expertise or overseas work experience. We aim to use technology to improve operational efficiency and recruit human resources from a longer-term perspective, considering how operations will change several years down the line. By advancing such initiatives, we hope that leaders at each site will become aware of the need to concretely estimate the number of personnel and required skill sets from the perspective of strategy execution and for the leaders themselves to continue growing by expanding their perspectives to include Group-wide personnel transfer and allocation.

Key Measures
Human resource planning <ul style="list-style-type: none">Better understand gaps between needs and current conditionsPlans for human resource recruitment, transfer and allocations, and internal development Leader development <ul style="list-style-type: none">Apply leadership pipeline mechanisms to Group companiesReinforce governance specialists and develop next-generation successors

Technology and R&D Strategy: Sekisui House Technology

Since its founding, Sekisui House has aimed to deliver the highest quality and technology, helping solve the housing-related social issues of each era while growing its technology and R&D efforts. This evolution continues today. Looking at our history in 30-year segments, the Company's first phase began in 1960 with the realization of pre-engineering processes for reinforced concrete foundations and lightweight steel framing, providing housing that offers safety and peace of mind at a time of housing shortages in Japan. In the second phase, our technologies for realizing comfort and eco-friendliness in housing grew in response to the emergence of demand for more affluent lifestyles alongside the issue of global warming. We were the first housing manufacturer to adopt next-generation energy-saving specifications as standard and then evolved these features to realize net zero energy houses (ZEH) and adopted the Airkis and other high-quality indoor air systems. The combination of these technologies with reinforcements to structural framing gave rise to Family Suite, which provides indoor spaces that are spacious and open while comfortable to live in. In addition to greatly improving comfort and reducing environmental impact through cutting-edge technologies, in the wake of the 1995 Great Hanshin-Awaji Earthquake, we developed the SHEQAS seismic control system and worked to evolve our technologies for safety and peace of mind based on seismic resistance. In the third phase, we continue to focus on the residential domain, working to solve social issues through the integration of technologies, lifestyle design and services with a focus on health, connectedness and learning as we advance R&D into new technologies with the aim of making home the happiest place in the world.



Safety and Peace of Mind

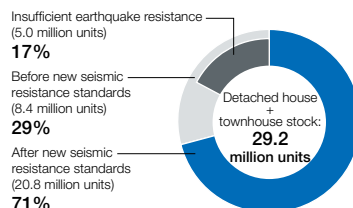
Sixth Mid-Term Management Plan Measures

Original Technology Development

Product technologies are crucial to safety and peace of mind. In this area, we advance R&D of original technologies adapted to evolving needs to local conditions.

Approximately 30% of existing houses in Japan do not meet Japan's current seismic resistance standards. To address this issue, we have developed a version of the foundation direct joints used in our SHAWOOD wood-en-frame housing for use in traditional “*shaku*”-based modules in an effort to increase the seismic resistance of other wooden-frame housing through our skeleton and infill business. In addition to new home construction, we are promoting and evolving our seismic resistance remodeling technologies for existing wooden-frame houses, such as our shape memory load-bearing walls introduced in 2022, to contribute to the creation of high-quality housing stock.

Overseas, we aim to create world-leading high-quality housing stock by analyzing the characteristics of the areas where we do business to advance development aimed at applying the SHAWOOD construction methods we have developed in Japan as well as Sekisui House technologies for making optimal lifestyle design proposals.



About 30% of existing detached houses in Japan do not meet current seismic resistance standards, and 17% are deemed to have insufficient seismic resistance.



Foundation Direct Joint

Value to Provide in 2030

Evolved Safety and Peace of Mind

Our technologies for safety and peace of mind, including seismic resistance, have continuously grown and developed over our history of more than 60 years and are already highly advanced. We will further reinforce these technologies in preparation for increasingly frequent and severe natural disasters to provide safety and peace of mind in housing throughout Japan. At the same time, we will advance the use of our technologies for safety and peace of mind around the world.

Comfort and Eco-Friendliness

Sixth Mid-Term Management Plan Measures

Environmental Technology Development

Looking at lifestyle design in the areas of comfort and eco-friendliness, we will proactively advance R&D into environmental technologies that contribute to the creation of high-quality housing stock and a sustainable society. Specifically, we will support the following efforts with technological development: 1. Maintain a high rate of ZEH among new detached houses, 2. Increase the ZEH rate and promote long-life quality housing measures for Sha Maison rental housing and three- to four-story houses, 3. Promote ZEB for non-housing properties and 4. Promote remodeling of existing houses to realize high thermal insulation performance.

From the perspective of promoting a circular economy, we will develop technologies to reuse and recycle leftover materials and scraps from new construction sites and factory production, increasing our “material to material” initiatives. At the same time, we will further advance R&D aimed at “house to house” reuse and recycling in the future. In addition, working toward carbon neutrality, we are implementing R&D of technologies to use wood effectively and reduce CO₂ emissions from a variety of other perspectives.

In the area of comfort, we will promote R&D into environmental technologies related to the senses in terms of sound, heat, air, light and smell while linking these efforts to health.



Value to Provide in 2030

Evolved Comfort and Eco-Friendliness

Sekisui House has led the way in comfort and eco-friendliness for housing and residents by promoting the adoption of technologies for saving, generating and storing energy through its efforts related to ZEH and response to the thermal insulation performance grades set out in the Housing Quality Assurance Act of Japan.

In 2030, we aim to provide housing that offers comfort now and always for each individual customer. In terms of eco-friendliness, we will accelerate initiatives aimed at carbon neutrality and a circular economy as we advance R&D aimed at evolving housing to be friendlier to the planet.

Health, Connectedness and Learning

Sixth Mid-Term Management Plan Measures

Design R&D

In the service aspect of health, connectedness and learning, we have launched life knit design, a design concept for housing where attachment continues to grow over time. The key points of life knit design are (1) Designing spaces with universal beauty that reflects emotions, (2) Providing genuine materials that age beautifully over time and (3) Selecting eco-friendly materials. It is a new design approach for the era of the 100-year lifespan that provides value closely aligned with the sensibilities of residents. By reinforcing design capabilities and deepening human attachment to housing, life knit design will contribute to the creation of high-quality housing stock.

In addition to building design, we are reinforcing landscaping design. We will also examine ways of integrating cutting-edge technologies into design methods, such as using digital technology to provide hands-on virtual simulations of the use of living spaces. Furthermore, under the “Kids First” concept, we will propose lifestyles and spaces that center children and advance R&D into product technologies to make these possible, thereby contributing to children’s emotional development.

Value to Provide in 2030

Evolved Health, Connectedness and Learning

In 2030, Japan is expected to face severe demographic graying, a low birthrate, a declining population and a rising number of households. To respond to these social conditions, Sekisui House will promote health, connectedness and learning through housing from a variety of perspectives, including housing that is rich in feeling and promotes well-being with an emphasis on individuality and personalization, as well as housing that offers virtual worlds through the integration of evolving digital technologies. By doing so, we aim to make home the happiest place in the world.



Design concept for housing where attachment keeps grows over time



Technological Foundations

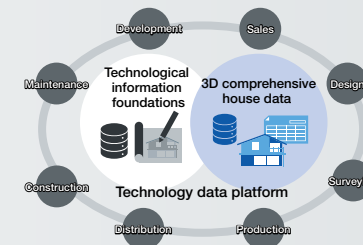
Sixth Mid-Term Management Plan Measures

Building Technological Information Foundations and Developing Technical Personnel

An important aspect of building a next-generation technological platform will be the effective use of technological data. During the period of the Sixth Mid-Term Management Plan, we will overhaul our technological system foundations by introducing a next-generation design system and building a technological data platform.

With our next-generation design system, we aim to increase speed, enhance compatibility with international building information modeling (BIM) formats, and expand tutorial functions for human resource development. At the same time, our technological data platform will enable the integrated management of data not only related to sales, design and component surveys, as in the past, but also data extending to R&D, production, distribution and construction. Through the analysis and use of such data, we will realize operational process innovation, enhance quality and improve operational efficiency while providing new value to customers.

To develop human resources to support our technological capabilities, we will expand our human capital and create happy work environments for technical personnel. We will also promote an autonomous growth program that includes the use of practical skill sheets to enable employees to understand their own abilities and formulate career development routes in line with actual work duties. Furthermore, to increase time spent on creative work, we will study the use of digital assistance technologies in design, including the use of AI and other tools to streamline routine request procedures.



Value to Provide in 2030

Evolved Technological Foundations with Digital Transformation (DX)

Building on our technological foundations, which comprise our technology data platform and technical personnel database, we will create new value leveraging DX (IT) in 2030. For example, we will reinforce development capabilities and create sophisticated cost management technologies for price setting through the analysis of product life-cycle management (PLM) data; implement high-level human resource development that transcends conventional organizational frameworks; and work to maximize employee happiness by formulating new evaluation methods. In these and other ways, we are expanding the ways we approach utilizing our technological foundations.

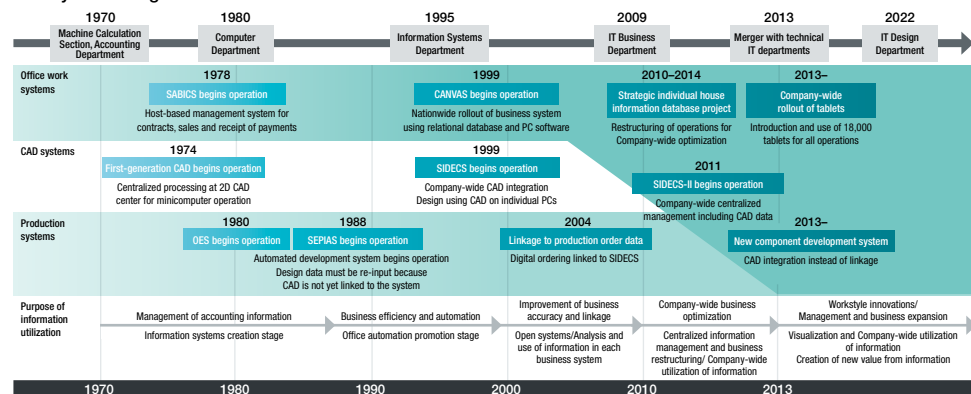
Digital Transformation (DX) Strategy

The History of Sekisui House's Digital Technology

Sekisui House has developed digital technology mainly in three areas: office work, computer-aided design (CAD) and production. For office work, we began operation of SABICS to manage contracts, sales and receipt of payments in 1978, followed by the AES estimate and order system in 1980 and the CANVAS business operations system in 1999, among others. In CAD, we started with a first-generation system developed especially for housing in 1974, and after going through several iterations we began operation of SIDECS in 1999. We also took the first step into the age of total product proposal presentations through linkage with peripheral systems. For production, we began operation of OES, a system for developing components, in 1980. By developing the building components we use from blueprint data created using CAD, we have achieved efficient production and advanced quality control at our factories. Through a strategic project we started in 2010, we have used this infrastructure to create a centralized database of information on individual customers' houses from our initial contact with them to after-sales service and remodeling. This platform underpins Sekisui House's DX.

Sekisui House thus has a history of leveraging its competitive advantages in the industry by introducing digital technology that increases efficiency and helps to manage and improve overall quality in step with changes in the business environment. Today, the IT Design Department plays this role. The former Information Systems Department, which was part of the Management Division, merged with the CAD/AES Center in 2009 to become the IT Business Department. In 2013, this department merged with technical IT departments from the Production Division, Development Division and elsewhere, and from 2018 it was made part of the Business Strategy Division. In 2022, as the IT Design Department, it is working to transform Sekisui House's businesses to pursue new potential from IT.

History of Utilizing Information at Sekisui House



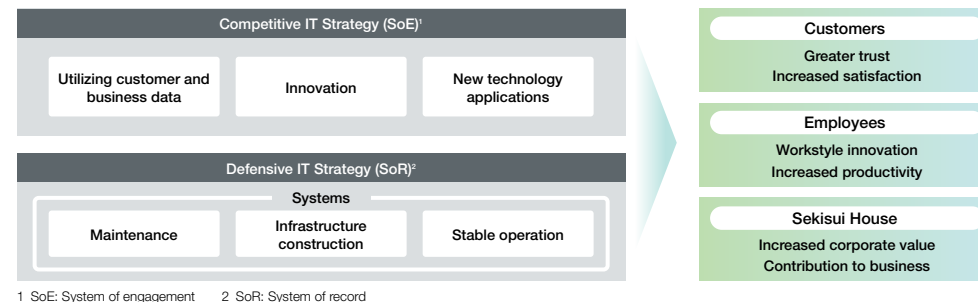
Approach to Digital Transformation (DX)

We believe that the role of DX in the Sekisui House Group's business strategy lies firmly within the boundaries of its businesses. Based on this understanding, we apply digital technologies as a means to transform our businesses. The extensive customer information and design data we have collected and managed over more than 60 years since our establishment provide a foundation for the application of these technologies. While using the data we have accumulated to conduct advanced competitive IT that applies AI, IoT and blockchain technology, we also conduct defensive IT, which entails raising operational efficiency through system-level reforms and upgrades in addition to constructing and stably operating system infrastructure. Furthermore, we are working to improve corporate value by establishing IT governance for strategic control of risks and returns for each investment in information systems according to uniform rules.

In recent years, responding to labor shortages and workstyle reforms has become an urgent issue. The COVID-19 pandemic beginning in 2020 necessitated new ways of working, such as remote work, that can be done anywhere. Our top priority in addressing this issue was speed. As a result of the smooth introduction of new workstyles, remote work is now firmly established at Sekisui House. We have identified work premised on printed documents and personal seals and are promoting more efficient and effective ways of getting these tasks done. Moreover, as remote work has brought the effective use of online communication methods to the fore, we are ambitiously working to improve performance by using such new communication tools not just internally but also for meetings and consultations with customers and suppliers.

We will continue to approach IT from both competitive and defensive strategic perspectives as we promote DX to create value for all our stakeholders.

Overview of Our IT Supporting DX



DX Strategy in the Sixth Mid-Term Management Plan

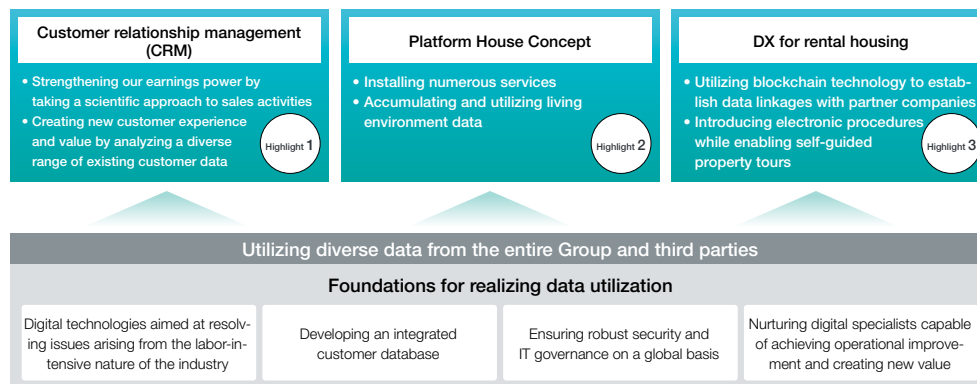
The Sekisui House Group is working to create new customer experience value, maximize business opportunities and transform its operations by using wide-ranging data about its housing-related businesses and customers alongside advanced digital technologies. In particular, under the Sixth Mid-Term Management Plan, we are focusing on customer relationship management (CRM), the Platform House Concept and DX for rental housing as priority initiatives.

In CRM, in order to make proposals to customer segments that we have previously been unable to address in detail due to the limits of management resources, we will take a scientific approach to sales activities and create new customer experience value by analyzing a diverse range of existing customer data in order to contribute to customer happiness and strengthen our earnings power.

Under the Platform House Concept, we will install housing with numerous services centered on health, connectedness and learning as we accumulate and utilize living environment data to provide customer happiness.

In DX for rental housing, we will transform experiences for customers considering moving into our Sha Maison rental housing by using blockchain and other digital technologies to digitize and move various procedures online, from property searches, tours and move in all the way to move out. By doing so, we aim to enhance customer convenience and our operational processes.

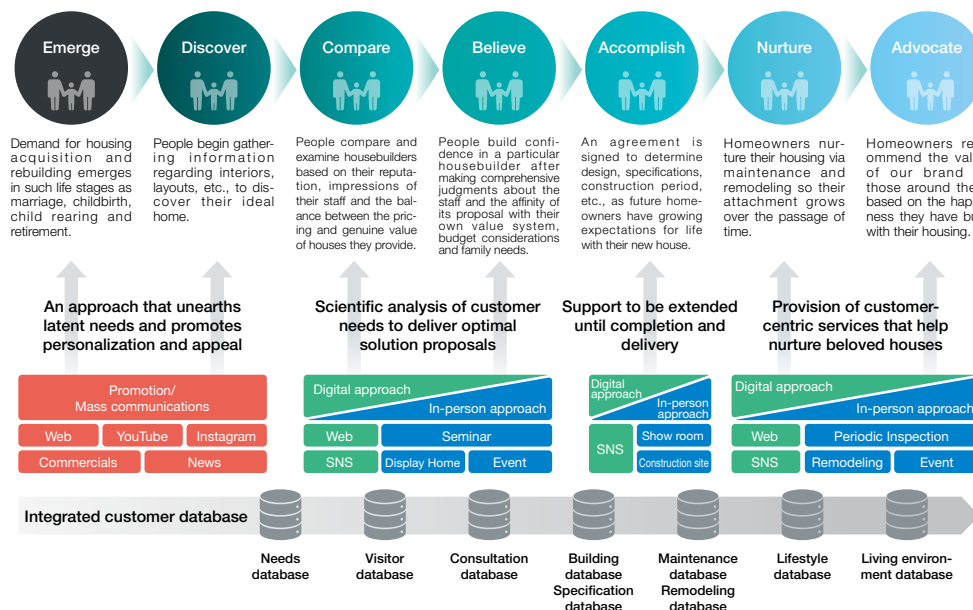
To realize these three DX strategies, we will need to utilize not only the various data that exists within the Group, but also external data from third parties. As such, we will build a foundation for DX from the perspectives of databases, rules (operations), and human resources to enhance the efficacy of each strategy.



Highlight 1 Customer Relationship Management (CRM)

Since our founding, we have been closely attuned to our customers to provide value through housing. Amid the ongoing shift to digital contact with customers, we are promoting CRM with the mission of enhancing the value of the entire customer experience, from housebuilding to after customers take possession. To date, we have established and promoted after-sales services for customers that include the Customer Service Center Owner Desk, which accepts inquiries 24 hours a day, 365 days a year, and the Smart Inspection system, which uses multiple advanced devices for housing inspections. Through such services, we strive to enhance customer satisfaction.

Under the Sixth Mid-Term Management Plan, we will focus efforts on initiatives to further enhance experience value for customers considering housebuilding in order to increase the effectiveness of our proposals and efforts to reach customers. Specifically, we plan to accumulate and improve the usability of such data as the digital responses of customers when approached through digital promotions, as well as their display house visit history. This will enable us to scientifically analyze their latent and apparent needs in order to propose optimal solutions and thereby efficiently secure orders.



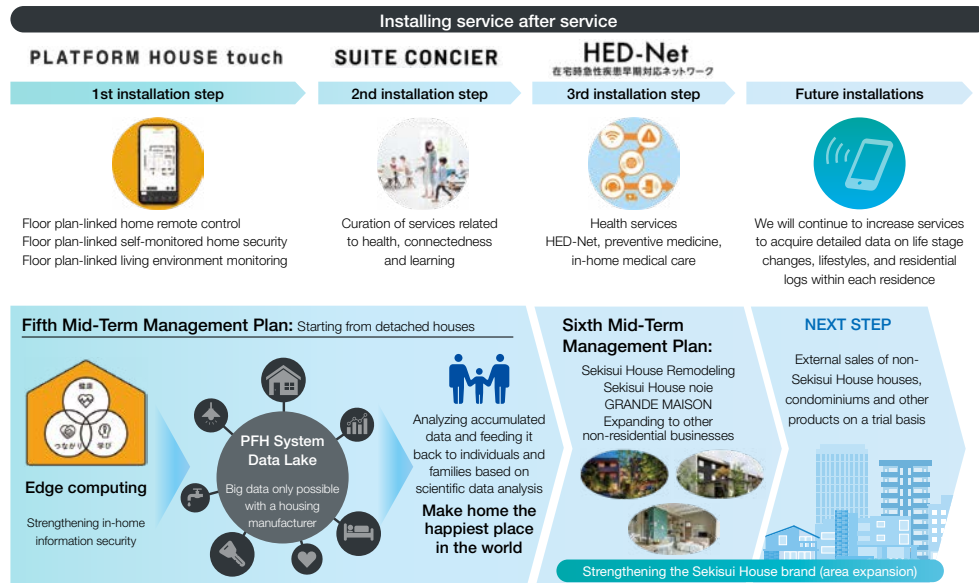
ESG Strategy—DX Strategy

Highlight 2 Platform House Concept

As a core initiative for our global vision, we are promoting our Platform House Concept to help residents achieve happiness in the era of the 100-year lifespan.

In services focused on connectedness, we offer PLATFORM HOUSE touch, a smart home service installed in housing. Using intuitive controls based on a diagram of the house's floor plan, users can check whether doors and windows are closed and locked to prevent crime, get alerts of heat stroke risk from humidity sensors and respond by remotely operating air conditioners from outside the home, improving living convenience. This service has been well received by customers. In health-focused services, we plan to install HED-Net, an in-home early detection network for acute illnesses, in homes going forward.

Under the Sixth Mid-Term Management Plan, we will provide highly convenient services that connect homes and families by applying IoT and AI functions to our accumulated big data on housing. At the same time, we plan to add such services to the offerings of Sekisui House Remodeling and roll them out to GRANDE MAISON condominiums.

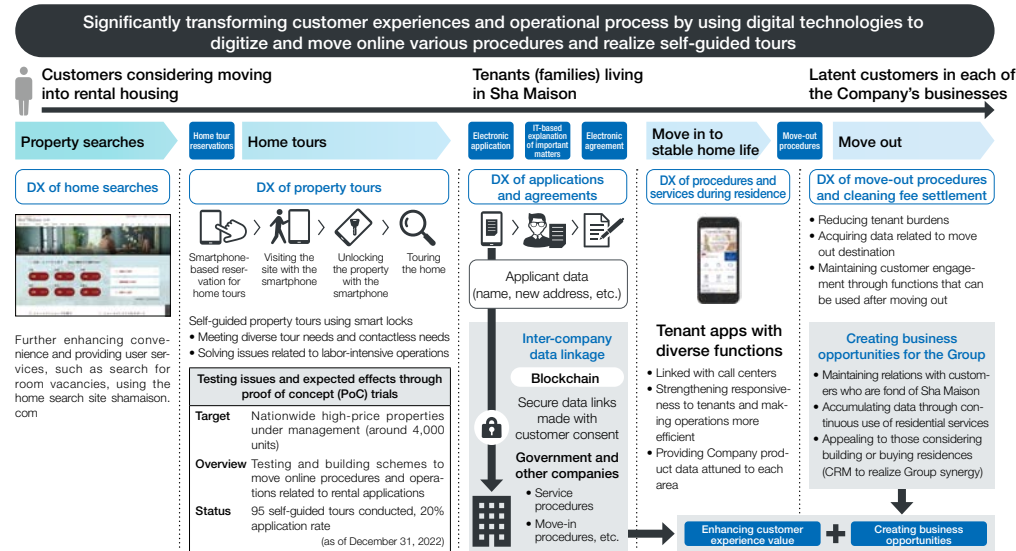


Highlight 3 DX for Rental Housing

Our DX for rental housing refers to the use of digital technologies across all processes related to the Sha Maison rental housing customer experience from move in to move out in order to enhance resident experience value and improve operational efficiency.

For the property search phase, we will reinforce DX for the Sha Maison property information site for prospective tenants to improve convenience. For the subsequent property tour phase, we are implementing proof-of-concept trials of self-guided tours to better meet the diverse needs of prospective tenants. For move in, we aim to shift all procedures online, including allowing customers to apply electronically, using IT to provide legally required explanations of important matters, and signing agreements electronically. In addition, we will promote inter-company data linkages using blockchain technologies for utility and IT infrastructure service applications, such as water, gas and Internet, to realize fully online, one-stop procedures. After move in, we will offer a range of procedures and services through tenant apps. Finally, for move out, we will enable tenants to handle all move-out procedures online.

By thus advancing DX across all processes from move in to move out, we will further enhance the Sha Maison brand.



We participate in inter-company data linkage using blockchains and work to create new value through open innovation with different industries.