

# Megatrends

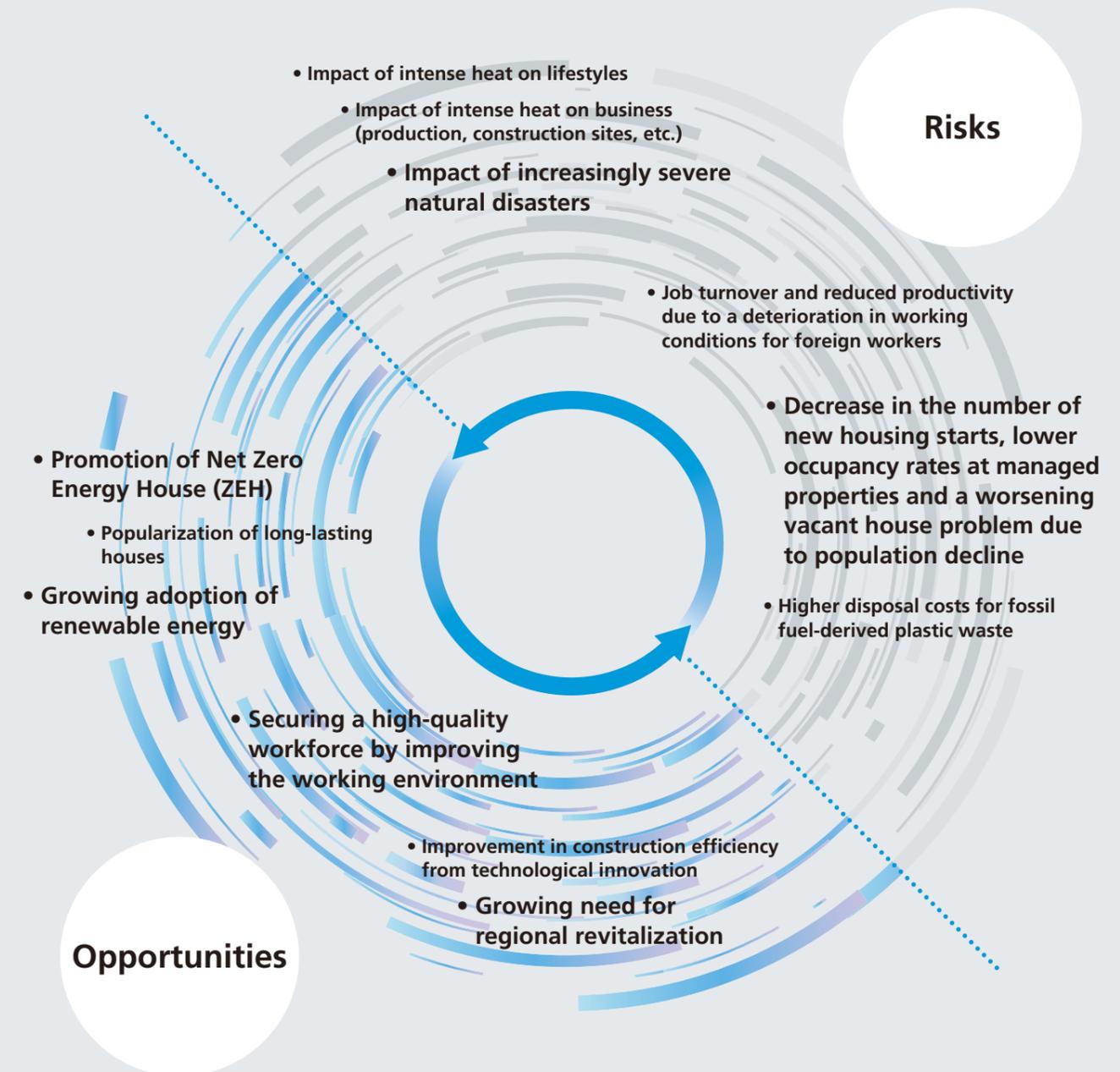
## Domestic Megatrends

- Shrinking population and declining number of households (gradual decline in construction demand and changes in social capital)
- Declining birth rate and aging population (shrinking working population and changing living environment)
- Global warming and more frequent natural disasters (response to natural environment)
- Concentration of population in cities and emergence of compact cities (people's changing concept of work and home)
- Emergence of low-cost houses (shift of the past recognition of home as merely a space)
- Inflow of foreign workers (maintain infrastructure by accommodating immigrants)
- Changes in consumer environment (shift from material goods to experiential consumption)

- Rapid progress of information and communications technology (ICT)
- Global climate change
- Widening gap between rich and poor
- Fintech revolution in financial markets
- Continued high growth of emerging economies
- Friction between nations (United States and China, East Asia, Middle East)
- Acceleration of corporate globalization
- Depletion of marine resources and reconfiguration of territorial waters

## Global Megatrends

# Opportunities and Risks



# A History of Creating Value

Sekisui House has grown along with society by putting the pursuit of value for residents first.

Always looking to the future, we will continue to help realize a sustainable society and grow as a global company.

## Third Phase 2020–2050

- Transformation of housing to provide a range of value centered on health, connectedness and learning

# Happiness in the era of the 100-year lifespan

## First Phase 1960–1990

- Provided pre-engineered housing with a short construction timeframe during Japan's housing shortage
- Provided safety and security through houses that protect lives and property

### For Safety & Security

- 1960 Established as Sekisui House Sangyo Co., Ltd.
- 1961 Started operation of Shiga Factory (production discontinued in 2009)  
Adopted metric specifications (first in the industry)  
Adopted aluminum-frame windows and doors (first in the industry)
- 1964 Established direct sales system
- 1971 Adopted prefabricated modular bathroom units for detached houses (first in the industry)
- 1973 Shiga and Kanto factories were both recognized by the Minister of International Trade and Industry for excellence in quality control of factory-made housing (first in the industry)  
Sekisui House's steel-frame construction method received the Encouragement Prize for 1973 (first in the prefabricated housing industry)
- 1977 GRANDE MAISON Nagahori, the Company's first large-scale condominium building, began sales
- 1987 Tokyo Customer Service Center established as the Company's first customer service center
- 1989 First nationwide Sekisui House Day (open house) held
- 1990 Comprehensive Housing R&D Institute (Kyoto) completed

## Second Phase 1990–2020

- Addressed the issues of comfort and eco-friendliness with products such as ZEH and Airkis
- Provided mid- to high-end brands and high-value-added houses

### For Comfort & Sustainability

- 1995 Started wooden-frame (SHAWOOD) housing business
- 1999 Established the U-trus System manufacturer warranty program  
Announced the Environmental Future Plan
- 2001 Announced *Gohon no ki* landscaping project
- 2002 Announced full-scale implementation of universal design in all houses
- 2003 Established industry's highest air quality standards for all houses  
Standardized next-generation energy-saving specifications for all detached houses
- 2004 Made double-glazing for heat insulation and security standard in all detached houses  
Launched energy-saving, disaster-mitigating housing
- 2008 Recognized by the Minister of Environment as the housing and construction industry's first Eco First Company
- 2009 Launched the Green First eco-friendly house
- 2011 Started sales of Airkis high-quality indoor air system
- 2012 Opened SMART COMMON CITY AKAISHIDAI (Tomiya-cho, Miyagi Prefecture), Sekisui House's first smart town  
Launched CEREBRIO, the industry's first residential care home for the elderly
- 2013 Launched the Green First Zero net-zero-energy house
- 2018 Opened the Human Life R&D Institute, Japan's first institute specializing in research on happiness  
Started the Trip Base *Michi-no-Eki* Stations Project, a regional revitalization business
- 2019 Exhibited at CES 2019 (Consumer Electronics Show) and announced the Platform House Concept

1970 — 1980 — 1990 — 2000 — 2010 — 2019

	1970	1980	1990	2000	2010	2019
<b>Net sales</b> (Billions of yen) <small>(Non-consolidated)</small>	34.4	430.0	1,090.3	1,364.8	1,488.3	2,415.1
<b>Operating income</b> (Billions of yen) <small>(Non-consolidated)</small>	3.7	39.1	82.4	96.0	56.3	205.2
<b>Cumulative number of dwellings built</b> (Units)	24,817	30,547	799,322	1,504,621	2,045,039	2,468,686

Since its establishment in 1960, Sekisui House has been conducting business based on its fundamental philosophy of love of humanity.

In our first phase, we proposed the concept of pre-engineered housing in Japan, which was facing a housing shortage, enabling us to provide safety and security through houses that protect lives and property. In our second phase, we expanded our business domain to high-value-added houses and established Sekisui House technologies for comfort and eco-friendliness.

For our third phase, which began in 2020, we have established a global vision to "make home the happiest place in the world." We will steadily transform into a global company that offers integrated proposals of technologies, lifestyle design and services, based on the residential domain, with the aim of creating value for residents in the era of the 100-year lifespan.

# Message from the Chairman



## Making Our Corporate Philosophy the Foundation of All We Do and Strengthening Our Integrity

**Toshinori Abe**  
Chairman & Representative Director

On behalf of the Sekisui House Group, I would like to express our condolences to the families and acquaintances of those who have died as a result of the novel coronavirus (COVID-19) and to extend our deepest sympathies to those suffering from the disease as well as everyone whose lives have been affected by the pandemic.

We would also like to thank the healthcare workers who are toiling under extremely difficult conditions, as well as those who are involved in supplying daily necessities.

The Sekisui House Group places the highest priority on the safety of its customers, business partners and related professionals, and employees. We will continue to take necessary measures to prevent the spread of infection in cooperation with public health centers and local governments.

In 2020, Sekisui House celebrates its 60th anniversary. What has driven our business growth? What is the source of the unique organizational culture we have cultivated and what factors have enabled us to continuously achieve the targets of our first four mid-term management plans? This message looks at the DNA of the Sekisui House Group and the unchanging things it values.

### Sekisui House's Unchanging Values through 10 Years of Structural Reform

Sekisui House's history is more than a mere accumulation of achievements over the years since its founding in 1960. It originates in employees who have wholeheartedly and diligently carried out their daily work, and in a broad-minded organizational culture in which each employee desires happiness for and finds pleasure in the happiness of others. Companies are made up of people, and people's actions begin from their hearts. In 1989, Sekisui House established its corporate philosophy, which codifies the corporate culture and principles of action that have been passed down since the Company's founding. This corporate philosophy has become the basis of each employee's behavior. It is the very foundation that supports all of our corporate activities, even today. Moreover, during our 60-year history, our track record of reliably creating safe, comfortable homes based on a desire for the happiness of our customers has been a source of strength. This strength has been passed down to the present day as we continue to seek ways to tailor our designs to the changing times.

We recorded our first loss as a listed company in 2009. As a result of this experience, we have been working to build a resilient company that can grow in any business environment. We have instituted decisive structural reforms including discontinuing production functions at our Shiga Factory, substantially streamlining the head office organization, enhancing the expertise of our salespeople, carrying out restructuring, and promoting Group cooperation to improve the growth potential of our supplied housing business. At the same time, we have been pushing ahead with the development of products such as Green First Zero and Family Suite—products that help our customers lead happy, comfortable lives. These structural reforms and product development initiatives have been instrumental to creating and providing products and services that meet customer expectations. As a result, we have differentiated ourselves from our competitors and our performance is steady. I believe that each employee has been able to accurately envision his or her role and to take an energetic approach toward his or her work, even amid these ambitious structural reforms. How has this been achieved? I believe it is the result of passing down a strong commitment to keeping what should be kept and to thoroughly changing what should be changed, as well as the Sekisui House Group's DNA of a corporate philosophy with love of humanity at its core.

Based on my own experience of referring to our corporate

philosophy whenever I am unsure about something or facing an obstacle, I have always told employees that our corporate philosophy holds all the answers. Even as the social environment changes, I believe that Sekisui House's corporate philosophy is an ever-reliable starting point that provides solutions that resonate with any era.

### Developing Human Resources and Organizations That Act with Integrity to Remain Essential to Society

Sekisui House is conducting a variety of initiatives with the goal of becoming a leading company in ESG management. For example, we have been proactively implementing workstyle reforms, a pressing issue in Japan, with a focus on creating exciting workplaces. Moreover, we have consistently rolled out our initiatives ahead of government measures, such as a childcare leave system for men. This is because human resources and organizations are the intangible assets that support Sekisui House's growth—they are the essence of the Company's corporate brand. No matter how good our products and services are, or how well attuned our technologies may be to social and environmental issues, we cannot realize our vision without diverse human resources aligned with our corporate philosophy who have the power to keep pace with changing times, or without a resilient organizational culture that adapts to those changing times.

Today, more than 30 years after we put love of humanity at the core of our corporate philosophy, I place the highest value on integrity—the sincerity and high moral values befitting the DNA of Sekisui House. By creating an organization that cultivates employees with integrity—people who will actively take the lead—we can steadily enhance the quality of Group management. Since 2018, we have been implementing governance reforms underpinned by integrity, and lively discussions by the Board of Directors have helped to strengthen our management and financial foundations. We will further entrench our governance structure as we go through the same plan-do-check-act (PDCA) cycle that we use in our business operations.

For Sekisui House to remain essential to society, we will pass on our valued, unchanging corporate philosophy that is the foundation for all our corporate activities, and we will ensure that the changes of a new era become opportunities that lead to activities that bring happiness to our customers, employees and all stakeholders.

# Message from the President



## Integrated Proposals of Technologies, Lifestyle Design and Services to Provide Happiness in the Era of the 100-Year Lifespan

**Management that makes home the happiest place in the world means giving serious thought to creating value for residents.**

**Yoshihiro Nakai**  
President & Representative Director

### Opportunities Remain Abundant in the Housing Market

The era of the 100-year lifespan will soon be here. Having experienced periods of economic growth, the societies of Japan and other developed nations have matured and people are increasingly focusing on spiritual fulfillment and quality of life. As we shift from quantity to quality and the turnover of housing stock progresses, it has become apparent that we are on the verge of an age when implementation of IT, AI and other technologies in the housing market will be taken for granted. Market conditions are changing by the moment, but I believe that by adopting

strategies incorporating technologies that appeal to the sensibilities of residents and builders Sekisui House will be able to create unique growth drivers. The Sekisui House of the future will do more than simply provide the buildings and technologies that protect residents' lives and properties, which was our founding mission. By deepening and evolving lifestyle design proposals and our services, we will transform into a company that provides customers with the value of happiness. That is why the recently announced third phase of our long-term management vision sets forth a global vision to "make home the happiest place in the world."

In Sekisui House's first phase during the thirty years following its founding in 1960, the Company grew by supplying houses that provide shelter. In our second 30-year

phase, we led the domestic building industry in pursuing and providing comfortable housing, which we achieved by developing a series of environmental technologies and original products and techniques. From 2020, Sekisui House embarks on its next 30-year phase. As president at this exciting time, I feel the weight of stakeholders' expectations for innovation as well as the responsibility of being entrusted with leading a company intent on thriving over the next century. At the same time, I have great expectations in the face of these new challenges. Due to Japan's declining birthrate and aging population, and a decrease in the number of housing starts, some people are concerned about a shrinking housing market, but I am not pessimistic in the least. Day by day, I am more convinced than ever that there are still more ways in which Sekisui House can contribute to society in the field of housing.

For example, many houses in Japan have insufficient earthquake resistance and insulation, so demand for rebuilding is expected to continue over the medium term. As a result of frequent climate change-related large-scale natural disasters worldwide, demand for high-quality housing stock is rising. There are clearly markets in Japan and overseas where Sekisui House can expand by deploying its unique expertise in areas such as seismic damping using its original SHEQAS seismic control system, airtight construction and improved insulation. In addition, our net zero energy houses (ZEHS) have consistently remained one step ahead of the industry in environmental technologies, achieving an 87% installation rate that significantly surpasses the government's target of 50%. In our third phase, we will think about how to provide new value that is unique to Sekisui House by pursuing happiness for people, society and for the future in the domain of housing.

### Providing New Value with Integrated Proposals of Technologies, Lifestyle Design and Services: Factoring in Resident Happiness as a Growth Strategy of Our Long-Term Management Vision

Our new Fifth Mid-Term Management Plan sets forth a growth strategy to achieve our global vision. On the technological side, Sekisui House will further deepen the resources that give it a competitive advantage—the housing technologies, construction methods and track record for safety it has built up over the past 60 years. As for lifestyle design proposals, we became the first company in Japan to begin R&D on the happiness of residents through the establishment of the Human Life R&D Institute. In fall 2018, we launched Family Suite, which combines our research results with advanced Sekisui House technologies for a model concept of a new kind of living space that breaks away from the conventional Japanese "LDK" (living-dining-kitchen) layout. We will continue to develop lifestyle design proposals and services that lead to happiness from a variety of perspectives with the aim of further expanding our growth areas.

As one initiative that exemplifies our third-phase strategy, we will step up promotion of our Platform House Concept, an innovative new project we announced in 2019. This concept regards the home as a platform, and we are developing a succession of technologies and mechanisms to be installed in this platform to provide the new value of happiness for residents. For me, the value provided by the Platform House Concept comes from considering happiness in the era of the 100-year lifespan by breaking it down into the three areas of health, connectedness and learning. Having chosen to begin with health, which is most closely connected to life, I decided to focus on the prevention of chronic diseases and response to acute illnesses. During discussions, I became aware that approximately 70,000

people die at home each year from acute illnesses, strokes and similar conditions, and decided to set to work immediately on measures that respond to acute illnesses. For the first stage of the Platform House Concept, during 2020 we plan to launch the health-focused HED-Net, an in-home early detection network with a rapid response service for acute illnesses. [▶ See pages 18-19 for details.](#)

During our third phase, we also intend to define happiness under the themes of connectedness and learning and to incorporate their value in the Platform House Concept in stages. We will maximize our accumulated expertise, strengthen our foundation for creating value as a leading company in ESG management, and make a major shift in direction as a company that creates value for the future. By doing so, we will plot a trajectory for long-term, steady growth.

### Working to Make Sekisui House Technologies a Global De Facto Standard

Another area that will be a pillar of long-term growth is strengthening our overseas business. Until just 10 years ago, our domestic operations were heavily reliant on the built-to-order business for custom detached and rental housing. However, having subsequently gone through structural reform, we have established an excellent balance among our three domestic businesses. For example, as a result of the increase in the total number of houses constructed by the built-to-order business, we have achieved growth in the supplied housing business, which consists of remodeling, including large-scale renovations, and real estate management fees, as well as a widespread rollout of our development business, which consists of houses for sale, condominiums and urban

redevelopment.

On the other hand, the overseas operations we started 10 years ago have been focused on the development business. Taking the market environment into consideration, we plan to conduct an overseas rollout of our expertise in pre-engineered housing methods, which is a strength we have cultivated in Japan and a distinctive business model worldwide. With that in mind, we have been conducting surveys and working to visualize issues toward commercialization in the United States, Australia and the United Kingdom. Recently, social issues such as climate change-related natural disasters have arisen in housing markets outside Japan, spurring demand for high-performance housing.

In light of such changes, the strategies of our Fifth Mid-Term Management Plan include the aim of making Sekisui House technologies the global de facto standard in order to realize our long-term management vision. We will use the production and construction systems, expertise and environmental technologies that we have cultivated in the Japanese market to build a foundation in global markets.

### Outline of the Fifth Mid-Term Management Plan

Our Fifth Mid-Term Management Plan focuses on Sekisui House's core competencies, including the domestic building industry's largest customer base, with a cumulative 2.46 million dwellings built. This new business model will offer integrated proposals of technologies, lifestyle design and services in its core built-to-order, supplied housing and development businesses. We will delineate a new growth matrix by incorporating social issues along two axes: our existing strengths, which we will deepen and expand, and

new arenas that we intend to enter, with a focus on the residential business domain. We will place particular emphasis on steadily establishing foundations for growth during this plan.

The lifestyle design and service proposals and technologies that we cultivated in our second phase have become unique strengths of Sekisui House. However, a digital transformation is progressing steadily worldwide along new vectors such as SDG-related initiatives, Industrie 4.0 and Society 5.0. Because we are aiming to respond rapidly to changes in social conditions and to achieve innovative growth in our third phase, we must squarely face the possibility that relying too heavily on our existing strengths may slow our growth. Therefore, we plan to accelerate initiatives for alliances and open innovation. In addition to investment in real estate, our anticipated investment for growth over the next three years of the mid-term management plan incorporates ¥200 billion in capital for M&A, R&D and alliances.

### Lively Communication for Stronger Governance

Sekisui House aims to be a leading company in ESG management that can provide innovative living spaces and after-sales service that are useful to the public from the perspectives of the environment, society and governance. We continue to receive high evaluations from various organizations in Japan and overseas in the areas of the environment and society. However, we believe that further strengthening governance will require free and open cooperation that transcends departments and levels inside the Company and communication with partners outside the Company. Since 2019, we have been working to invigorate

communication among employees and with external stakeholders under the slogan "Innovation and Communication." In our business, employees on the front line of sales, design and construction on site encounter customers most frequently, and I believe these employees have the most innovative ideas. By drawing on their opinions and suggestions rather than simply using a top-down chain of command, we can create a diverse, open organization that is unconstrained by existing ways of thinking. In this way, we can transform ourselves into a company that innovates. Facilitating communication inside and outside the Company will also make it easier for problems to be unearthed, and thus help us identify signs of future business risks. In short, I am convinced that fostering a culture of lively communication will result in stronger governance.

I intend to set an example in innovation and communication, and to instill a view of change as an opportunity throughout our organization as an integral part of ESG management.

Transforming conventions within the industry and the Company, and being the first to conceive and implement new initiatives is a truly exciting way to spend time, striving day after day to achieve that vision. As the Sekisui House Group enters a new growth phase, I will devote every day as president to confronting social issues and ensuring Sekisui House provides the value that only it can.

# Third-phase Vision

## The Sekisui House Global Vision

**Make home the happiest place in the world**



**Propose happiness through the integration of technologies, lifestyle design and services**

- ▶ Build close relationships with residents and become their partner in creating happiness
- ▶ Propose new value in the form of happiness stemming from intangible assets such as health, connectedness and learning.



**Become a leading company in ESG management**

- ▶ Drive global initiatives through net zero energy housing and make a global contribution through our RE100 commitment
- ▶ Turn diversity into a growth driver
- ▶ Innovation and communication



**Make Sekisui House technologies the global de facto standard**

Promote Sekisui House technologies worldwide to enable the provision of quality housing that offers safety, security and comfort

- ▶ Original technologies developed in Japan that deliver safety and security in terms of strong earthquake resistance, fire protection and shock resistance
- ▶ Original technologies that deliver comfort in terms of insulation performance, universal design and indoor air system technology

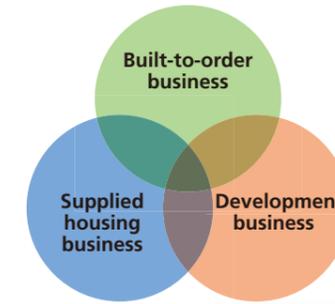
**Become a global company that offers integrated proposals of technologies, lifestyle design and services, based on the residential domain**

## The Sekisui House Goals

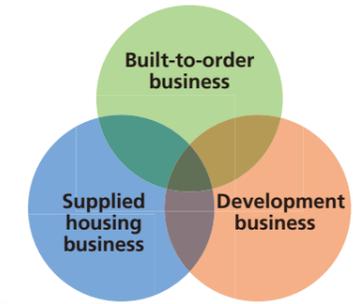
**Expand domestic and overseas businesses by offering integrated proposals of technologies, lifestyle design and services**

**Realize sustainable growth of the Sekisui House Group through the organic growth of six business pillars**

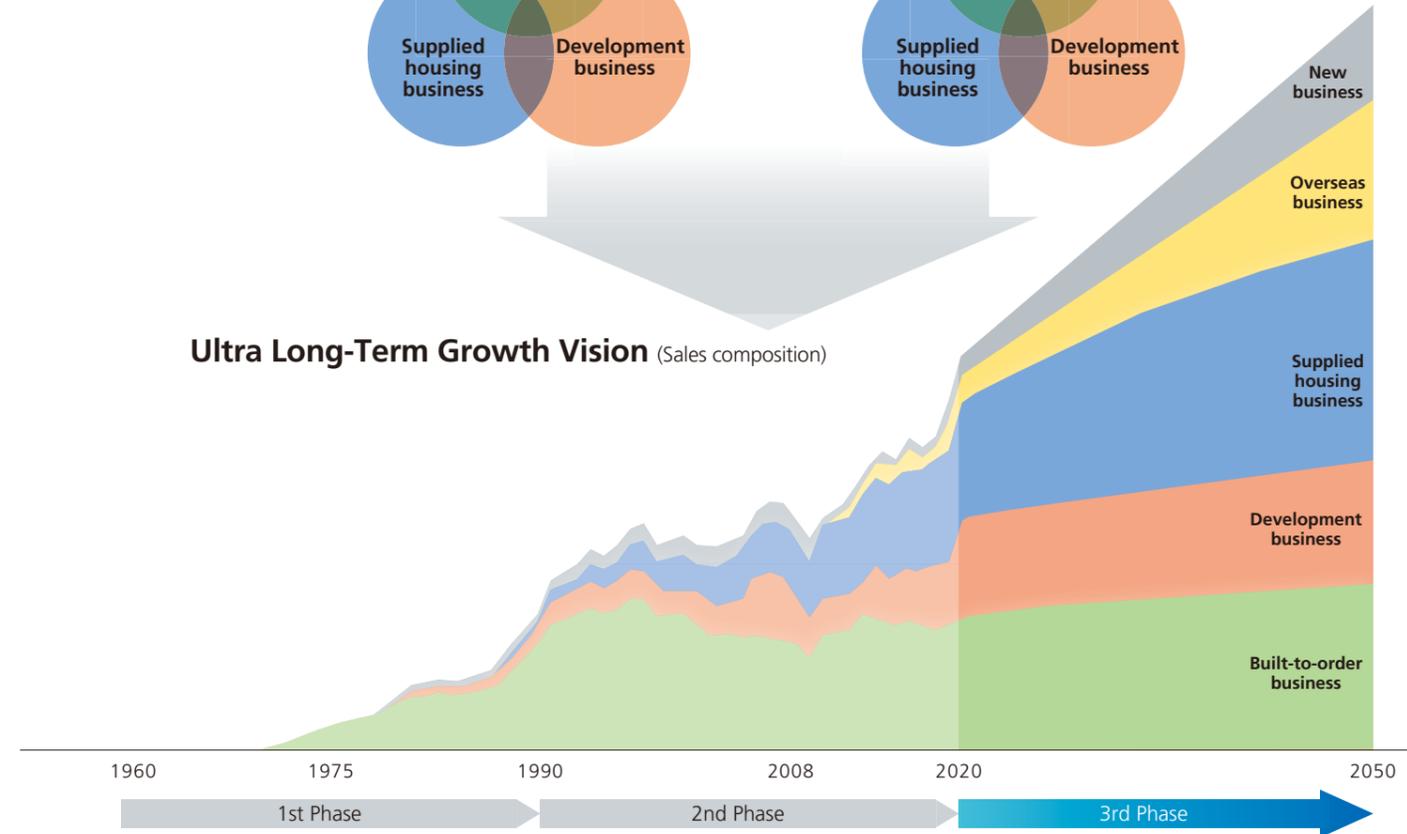
### Domestic Business



### Overseas Business



**Ultra Long-Term Growth Vision** (Sales composition)

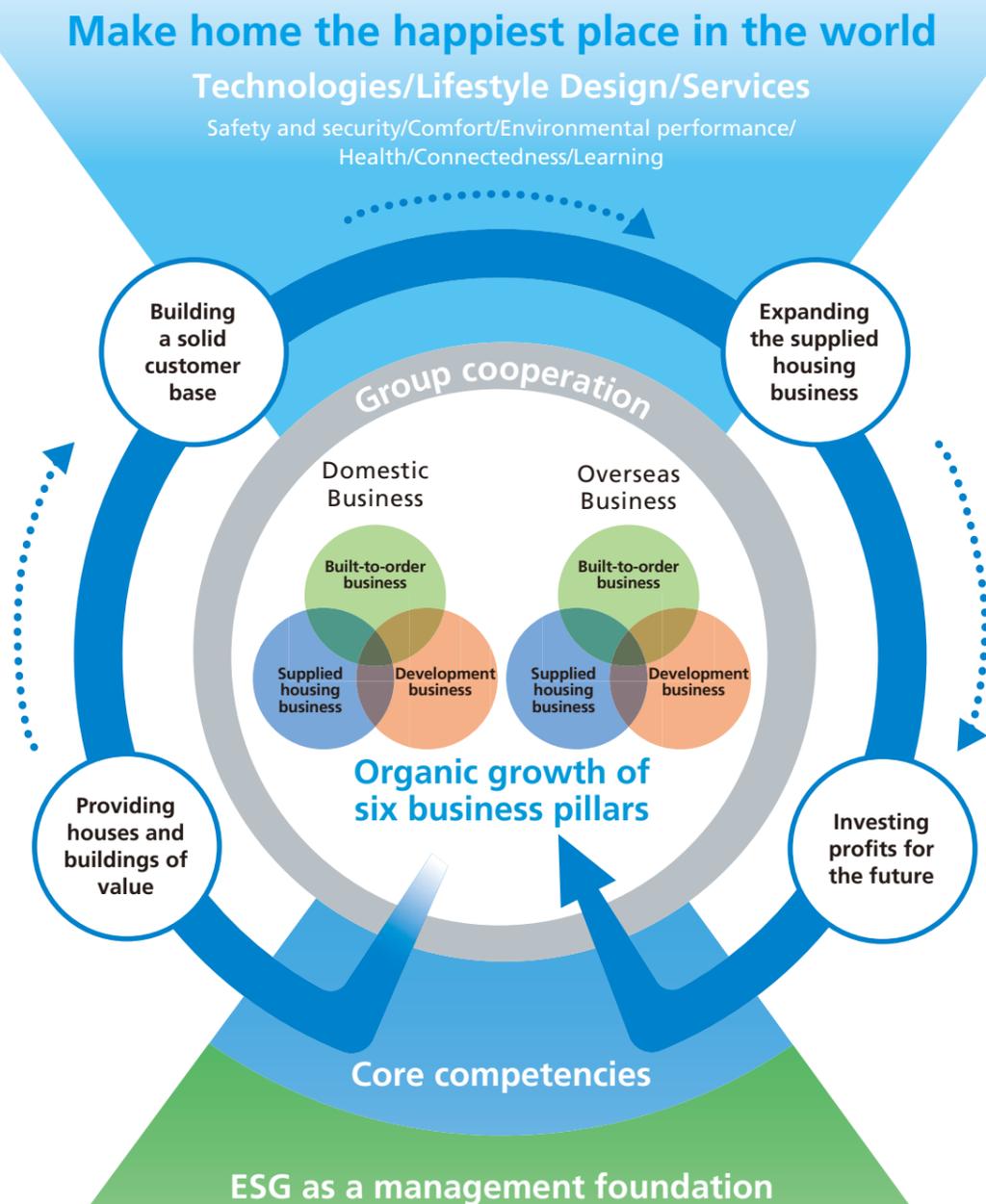


Since 2010, our domestic business has continued to grow by shifting from an approach that was heavily reliant on the built-to-order business to an optimally balanced business portfolio. Going forward, we will accelerate the growth of the supplied housing business, which leverages the high-quality housing stock we have accumulated, raise the asset turnover ratio in the development business, and take other steps to strengthen our three core businesses in order to support overall growth. In our overseas business, we will continue to grow steadily by expanding the built-to-order business and achieving a balance among the same three businesses as in our domestic operations. In Sekisui House's third phase, we will also look to expand new businesses with the ultimate aim of using the organic growth of these six pillars of our operations to become a global company that offers integrated proposals of technologies, lifestyle design and services based on the residential domain.

# Value Creation Process

## Business Models

Based on a management foundation that incorporates ESG initiatives, as well as our unique value chain and core competencies, we have established business models that create value for our various stakeholders through collaboration within the Sekisui House Group. Our operations in Japan utilize three business models. The first is the model of the built-to-order business—it has built a solid customer base by providing quality houses and buildings of value. Next is the model of the supplied housing business—it draws on this customer base to conduct remodeling and other operations. The profit from these businesses is then invested in our third business, development—the model for which is to conduct high-quality urban redevelopment and community development. As we invest for the future, we are also establishing a sustainable value creation process. Going forward, we plan to establish the same three business models overseas by expanding the built-to-order business. The Sekisui House Group will steadily achieve sustainable growth as it works to become a global company.

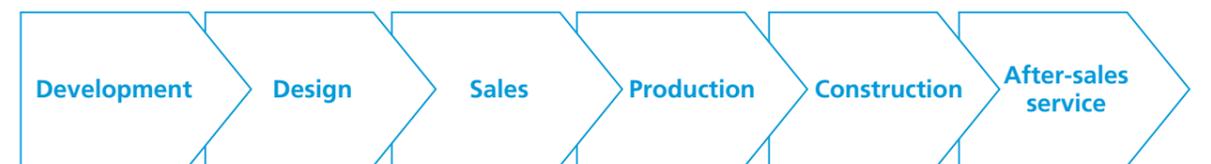


## Core Competencies

Our core competencies consist of our three greatest strengths—technical capabilities and construction capabilities driven by Sekisui House technologies, and a solid customer base derived from the industry's highest number of dwellings built—together with our unique value chain, which maximizes value for customers because the Sekisui House Group handles all processes relating to home-building, from product and technology development to sales, design, construction and after-sales service. These core competencies are the source of the value we create.

### Our Accumulated Strengths

	<h4>Technical Capabilities</h4> <ul style="list-style-type: none"> <li>• Universal design for "comfortable living—now and always"</li> <li>• SHEQAS, Airkis and other original technologies for proven safety and security</li> <li>• Green First Zero and other environmental technologies</li> <li>• Original DYNE CONCRETE and Bellburn original exterior wall panel manufacturing technologies</li> <li>• Staff with diverse qualifications, including first-class and second-class architects</li> <li>• Improved ability to make proposals through the introduction of an in-house system of qualifications (Chief Architect, etc.)</li> </ul>
	<h4>Construction Capabilities</h4> <ul style="list-style-type: none"> <li>• Wholly owned subsidiary Sekiwa Construction uses a design-build construction system without subcontractors</li> <li>• Loyal cooperative system for construction through Sekisui House Association</li> <li>• Acquisition of model approval for shortened construction timeframes</li> <li>• Improved ability to make proposals through the introduction of an in-house system of qualifications (Chief Constructor, etc.)</li> </ul>
	<h4>Customer Base</h4> <ul style="list-style-type: none"> <li>• Owners of the 2.46 million dwellings we have built, the most in the Japanese construction industry</li> <li>• An after-sales service system with customer service centers for customer peace of mind after taking possession of their houses</li> <li>• Long-term relationships with rental housing owners through Sekisui House Real Estate companies</li> <li>• Owner referrals and a high repeat rate</li> </ul>



Maximizing Customer Value through Synergies from Cooperation within the Group



### Advancing and Extending Our Core Competencies

<h4>New Technologies</h4>	<h4>Open Innovation</h4> <ul style="list-style-type: none"> <li>Industry-academia collaboration</li> <li>Investment in startups</li> <li>Joint development</li> <li>M&amp;A</li> </ul>
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