



Making Home the Happiest Place in the World

18 Backstories

Through housing, we provide the intangible asset of happiness extending over many years. In the process, we organically link our diverse capabilities to create customer value and new technologies and services. Following is an introduction to the unique strengths of Sekisui House from a variety of perspectives.

The fundamental philosophy of Sekisui House since its founding has been love of humanity, and practicing this philosophy is the code of conduct of our employees. It drives our corporate development for the continuing happiness not just of our customers, but of everyone involved in creating housing.

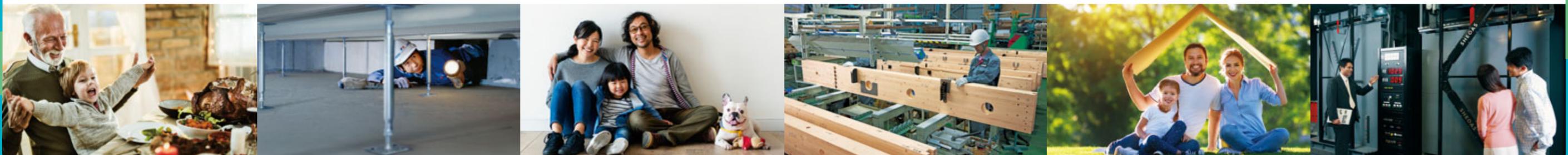
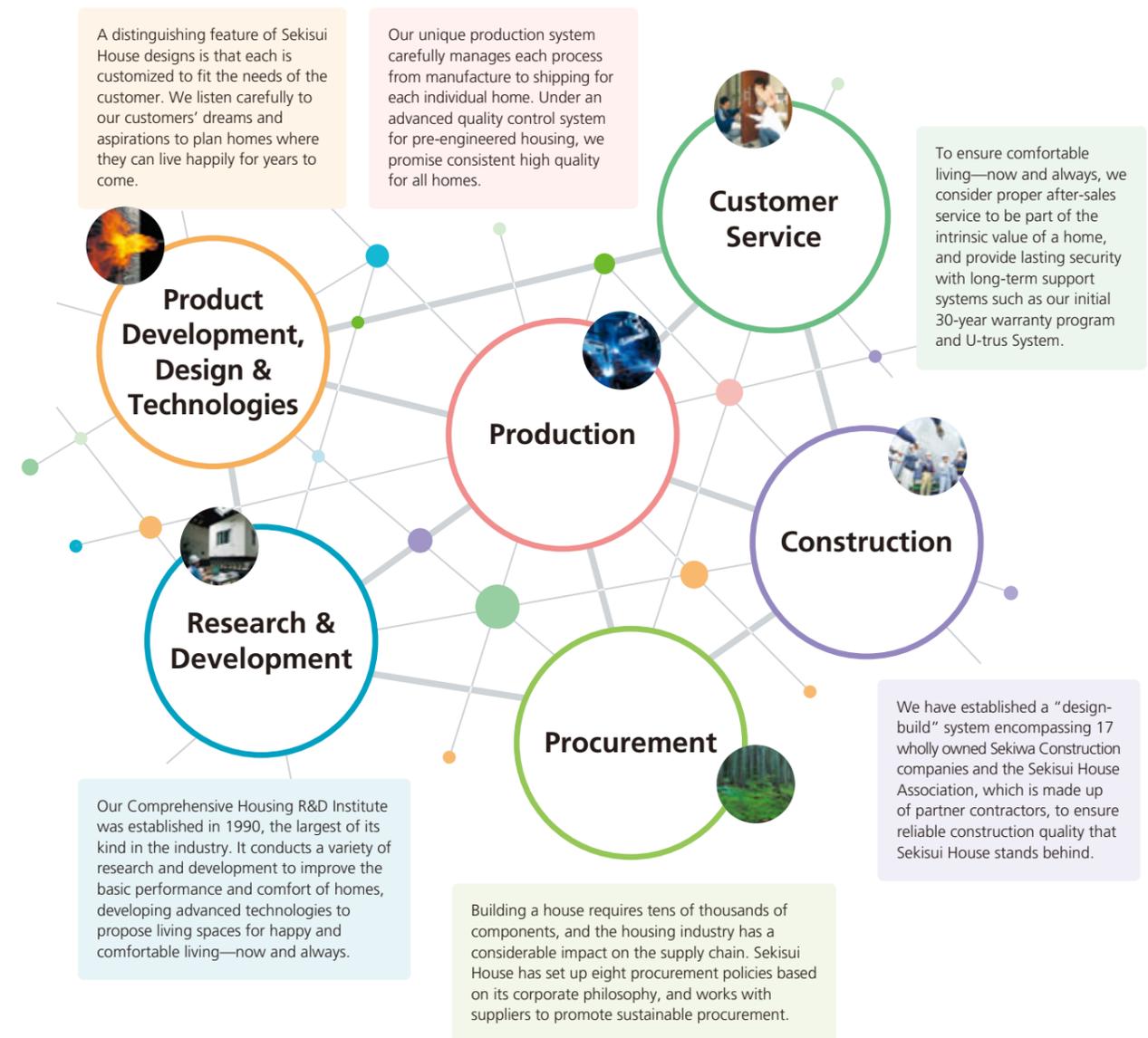
Based on this stance, the Sekisui House Group has been working to maximize the tangible and intangible value it can offer customers to make the home the happiest place in the world. In other words, we are making advances in the tangible elements of basic performance and environmental technologies that are essential for homes and combining them with the intangible elements of research and proposals for new ways of living. In this way, we are helping to create happy homes.

To implement this unique strategy of combining tangible and intangible elements, each individual business division has responsibility for the value chain, from research and development to product development, design and technologies,

procurement, production, construction and customer service. This value chain is the framework for the implementation of Sekisui House's unique strategy of integrating tangible and intangible elements. The active exchange of information and knowledge accumulated by divisions in this value chain leads to value creation. We have established a structure that enables us to share information and knowledge across organizational boundaries so we can coordinate our actions when an exciting business prospect comes to light or a customer or business partner consults with us on an important business opportunity. In short, the ability of the Sekisui Group to bring together its diverse capabilities and share information is a rich source of innovation that gives the Group a unique advantage.

The following 18 backstories explain Sekisui House's unique advantage in bringing together diverse capabilities throughout its value chain and generating synergies among those capabilities to create happy homes.

The Sekisui House Value Chain



We aim to create lasting happiness for residents

Sekisui House's R&D into residential housing began from a desire to provide houses where people can continue to live for many years. This has entailed more than just home safety and security in areas such as fireproofing and the earthquake and wind resistance that are characteristic of housing in Japan, where natural disasters are frequent. We also have a history of conducting research into technology and lifestyle design, based on the slogan "comfortable living—now and always," for all household members.

Sekisui House was early to incorporate the intangible element of people's lifestyles into its R&D. We opened the Human Life R&D Institute in 2018, becoming the first home builder in Japan to study the happiness of residents. Under the theme of "houses where happiness grows the longer you live there," we aim to infuse homes with the happiness of family bonds, quality of life and enjoyment.

This strand of R&D is made possible by our vast, industry-leading volume of data and our knowhow developed from relationships with customers in more than 2.46 million households. We believe that this unique strength will drive our future business.



Research & Development

Since its founding, Sekisui House has kept its finger on the pulse of people's daily lives and remained attuned to changing lifestyles and diversifying values in order to create the homes of the future. Our ability to offer integrated proposals of technologies and lifestyle design under the theme of "houses where happiness grows the longer you live there" gives us a unique advantage.

The tenacity to test until we are satisfied makes us strong

Sekisui House technicians have been instilled with a commitment to a hands-on approach of conducting tests and demonstrations and verifying them directly until they are satisfied. In this regard, Sekisui House has set its own strict standards for the durability of its houses based not only on results using testing equipment, but also on exposure data in actual external environments measured throughout Japan and survey results from reconstructed buildings. In addition, the launches of our SHEQAS seismic control system and Airkis high-quality indoor air system followed more than a decade of research that included testing in full-scale mock-up houses. Moreover, in addition to conducting testing and verification at our Comprehensive Housing R&D Institute, we place importance on constantly asking ourselves what has value and what customers and society truly need, and reflecting the answers in our products. Of course, this R&D process is only possible through collaboration between sales, production, construction and other divisions nationwide.

We value relationships with our customers

It does not matter how superior the technology used in a house is or how outstanding the house's design may be if the residents don't find the house comfortable or want to live in it. Sekisui House values the frank opinions of regular consumers and incorporates their observations and ideas from their daily lives into its homes.

The *Nattoku Kobo* Studio (Home Amenities Experience Studio), which has been part of our Comprehensive Housing R&D Institute since it was established in 1990, is a hands-on facility where visitors can discover their ideal home, not just through verbal descriptions, but by touching and experiencing it. In 2013, we also established the Sumufumulab, the industry's first space for open innovation, inside Grand Front Osaka. At this interactive facility, we collect and convey information from a forward-looking perspective and collaborate with customers in giving shape to ideal homes. We reflect resident feedback from workshops and questionnaires in our R&D.

Origins in protecting human life

Sekisui House began by providing pre-engineered housing that required only a short construction period to help resolve a housing shortage during Japan's period of rapid economic growth. Our products serve as shelter that protects people's lives and property, thus providing safety and security. We have always remained ahead of the times and lead the industry in the pursuit of superior quality and technologies. In addition to offering the highest level of durability and earthquake resistance, we have created a variety of original technologies that our competitors cannot match. These include our original construction method for steel-frame and wooden-frame houses that achieves spacious living areas with large doors and windows; the Flexible B System, which allows for flexible layouts on each floor without the need for multi-story columns; exterior wall materials such as DYNE CONCRETE and Bellburn, which offer superior performance including durability and maintenance, in addition to the decisive factor of design; and SHEQAS, Airkis and other systems.

Going forward, we will develop housing with superior resilience for disaster prevention and mitigation, including features that offer customers a higher level of safety and security, such as a water shut-off function to prevent overflow.



Product Development, Design & Technologies

Our objective is to remain a leader in developing products with superior quality and leading technology that meet customer needs. The products we create based on this mission result in houses that realize customers' dreams through custom-made housing design using our advanced design proposal capabilities. We will continue to improve our product development and design capabilities to create happy homes from every perspective.

A basic stance of everyday comfort and safety in emergencies

Sekisui House has remained ahead of the times in pursuing comfort and improving the basic performance of its residences. For example, one characteristic of Sekisui House homes is the use of metric specifications.

Although a *shaku* (30.3 centimeters) is a common unit of measurement in Japanese housing, Sekisui House was an early adopter of metric specifications, based on the concept of universal design. We have thus been building homes that are comfortable—now and always—with safe, secure living spaces that are roomy and easy to use, as well as experiential elements, manageability, beauty and other features that make residents feel at home.

A key point in residential construction going forward will be looking at what lies ahead for society and responding with flexibility and versatility to changing lifestyles. One example is a home that facilitates a variety of lifestyles by incorporating movable partitions to easily alter the floor plan without major remodeling when the makeup of the household changes or when one member begins working from home. Our Technology Division and R&D institutes are taking the lead in commercializing components with these functions.

Toward the next generation of housing and people

Utilizing our tradition of constructing housing suitable for the Japanese climate and our knowledge based on a track record of more than 2.46 million dwellings built, we create unique, unparalleled homes for each of our customers. We have approximately 2,800 skilled first-class architects nationwide for that purpose. Among them are our Chief Architects, a group of about 280 top creators with superior design capabilities who supervise and direct technical matters. Selected under a strict qualification system, they not only provide high-quality homes to customers, but also play a role in the ongoing development of outstanding architects in-house. They act as role models for other architects, producing excellent designs that serve as best examples. They also direct training and conduct study tours for evaluating and learning from each other's notable sites and unusual properties. In such ways, our Chief Architects are improving the design technology of Sekisui House while constantly maintaining a pool of expertise by cultivating the next generation of human resources.



Procurement

Thinking and acting together with key suppliers

Since its founding, Sekisui House has been primarily involved in the housing business and has become an industry leader.

With a view toward the future, it is important to strengthen cooperation with suppliers for coexistence and co-prosperity.

Suppliers currently face many challenges, including a labor shortage. We have been visiting suppliers' factories to implement improvement activities and address various issues, including the need to raise quality. In recent years, we have been stepping up collaboration with suppliers to share these issues, think about solutions, and coordinate our policies.

As a company that procures large amounts of diverse materials, we will work together with our suppliers to strengthen our supply chain based on our fundamental philosophy of love of humanity.

A deep understanding of wood enhances our uniqueness

As a housing manufacturer that uses wood in large quantities, it is important for us to select lumber sourced in a manner that is fair to society and takes sustainability into account. Sekisui House has established Wood Procurement Guidelines that encompass FairWood lumber procurement initiatives as well as matters including legality and the ecosystems in logging areas. This has increased both supplier interest in the procurement process and the accuracy of traceability information.

For imported lumber, Sekisui House employees have been urging suppliers to make improvements as required, based on practices including due diligence, where employees confirm the condition of timber procurement via onsite visits or surveys. In 2019, they also began onsite checks of structural components being considered for use.

For domestic lumber, we check the process from logging to production of laminated wood. We brand materials by production area to contribute to local production for local consumption as well as to regional revitalization. Sekisui House has also begun unique initiatives including visits to logging sites and tours of the production process by salespeople to give them first-hand experience of the advantages and true value of Japanese wood so they can directly communicate its appeal to customers.

In procuring materials, we consider the challenges facing Japan's housing industry, such as the labor shortage and conservation of forest resources. We will pursue sustainability while coexisting and prospering with our suppliers.

Shifting from CSR procurement to sustainable procurement based on the SDGs

Houses are made to be lived in for generations. Material procurement, including that necessary for maintenance while people inhabit a house, also continues for a long time, so sustainability must be considered. Based on the Ten Principles of the United Nations Global Compact (UNGC), ISO 26000 guidance on social responsibility, and other standards, we have formulated our CSR Procurement Guidelines covering the environment, quality and safety, human rights, labor and other topics, and have suppliers conduct self-evaluations of their own CSR initiatives. To ensure the reliability of these CSR evaluations, we monitor certain suppliers of particular interest.

Since signing the UNGC in August 2018, we have been expanding our existing socially responsible material procurement procedures through active involvement in the supply chain to help build a sustainable society (procurement based on the SDGs). Our Supplier Subcommittee meets to share case studies and issues, and has set key performance indicators for coverage rate and score. We will further strengthen cooperation to create long-term benefits for both ourselves and our suppliers.



Production

A total commitment to in-house development for customers and for the Company

In recent years, our production operations have proactively adopted cutting-edge technologies such as artificial intelligence (AI) and the Internet of Things (IoT) in production lines. For example, in 2018 we introduced smart line technology that achieves more exacting quality control and greater savings in energy and labor. In the welding process, AI determines the optimal timing for the flow of structural materials, leading to improved productivity, workability and quality. The entire smart line, including its AI and IoT elements, was developed in-house by factory technicians in cooperation with the Technology Division and others. They immersed themselves in planning, designing and developing new equipment through a process of trial and error. The success of their efforts came from total concentration on delivering better products to customers.

Advantages of in-house development include speed and ease of management after implementation. Moreover, the technologies we accumulate during development become a Company asset. Being involved in building the houses that realize customers' desires is a source of great pride and joy for employees. This spirit of challenge and ambition to hone their skills are strengths of our Production Division.

New innovations arise from connectedness between people

Sekisui House's pre-engineered housing realizes build-to-order production with different specifications for each home while maintaining high quality. Particularly at sites producing the structural components that ensure home safety and security, we are working to improve and innovate manufacturing based on changing customer needs and social issues while maintaining a stable factory shipping system.

To enable these new innovations, Sekisui House places great importance on communication within and among factories.

At Sekisui House, the close communication of information and the speed of sharing and adoption of ideas among our five factories nationwide are particularly notable. For example, when one factory develops a new production technology or establishes a manufacturing line, the information and methods are promptly shared among all factories. A cooperative framework for sharing technologies and expertise through active personnel exchange among factories and verifying data from demonstrations to resolve problems also serves as a rich source of innovation. Personnel transfers are conducted among factories and personnel exchanges are conducted between each factory and the head office. In 2020, the Production Division was reorganized as the Production & Procurement Headquarters to establish conditions for promoting further technological innovation throughout the Sekisui House Group.

Our pride and joy in being able to provide customers with the precious asset of a home is the driving force behind our untiring spirit of challenge and innovation. Our factories produce the structural components that ensure the safety and security that are fundamental to a home.

Reforming production through synergy between people and cutting-edge technology

As a countermeasure to Japan's labor shortage, which is an issue common to all industries, we are increasing production capacity while saving labor through the use of industrial robots. Situations where we use AI, IoT and other information technologies have also increased in recent years. For example, for Bellburn earthenware exterior wall panels, which are made of ceramic and other natural materials, external factors such as temperature and humidity significantly affect the finished product. In addition to developing production technologies with this characteristic in mind, we are developing and introducing a system that uses AI in the inspection process to ensure uniform quality and minimize defects in external walls.

In introducing the latest technology, we have set a target of halving staff for labor-intensive processes while maintaining product quality and safety. However, human judgment is indispensable in producing a detached house. Going forward, we will incorporate the ideas of our production team in innovation at our factories.

Clearing high hurdles with the spirit of a community with a common destiny

The members of our design-build system have shared the spirit of a community with a common destiny since Sekisui House was founded. A construction site is the creation of everyone involved, including the construction technicians and managers as well as the tradespeople. This spirit is indispensable for steadily securing skilled construction capabilities while improving quality and customer satisfaction. In addition, we have established vocational skills development schools certified by the Ministry of Health, Labour and Welfare at three locations nationwide, and are working to develop our next generation of human resources.

In 2019, we set up a skills training facility in Vietnam to maintain and strengthen our framework of a community with a common destiny. Under this framework, we are working together to provide high-quality housing in a short construction timeframe by sharing information on the production process and construction progress through close communication at factories and construction sites.



Construction

Striving for the world's happiest construction sites

With our fundamental philosophy of love of humanity, we also aim for the world's happiest construction sites in our construction process. Happiness must be for all—not only our customers and our company, but also the tradespeople who work on our sites. We therefore consider it important to improve conditions at construction sites to make them safer and to facilitate work. As one such initiative, in 2007 we introduced a construction reform request system to collect concerns and requests from people at our sites, and have been working earnestly to resolve each one. In 2020, we will upgrade this system with an emphasis on greater reliability. We have been working to improve onsite environments by developing and introducing a mobile tower crane that enables four-story construction on narrow sites, and by recommending and subsidizing the purchase of air-conditioned suits to combat heat stroke. In addition, we are actively providing a support system for ensuring a secure working environment at construction sites for non-Japanese technical trainees. The cumulative effect of these improvements will be happier construction sites, ultimately leading to a stable labor force and higher productivity.

The spirit of a “community with a common destiny” endures in our relationship of trust with Sekiwa Construction companies and the Sekisui House Association. This bond of solidarity, which has deepened since our founding, and the skills of the 11,000 workers on our sites are among the greatest strengths of Sekisui House.

Considering housing from a broad perspective

The housing industry is now entering the era of integrated proposals that encompass new ways of living and the methods for realizing them. Given this trend, it is not enough to improve the specialized skills of individual employees and relevant departments. We also need human resources who can transcend the boundaries of their specialties to utilize various types of knowledge according to the work site.

We are currently focusing on cultivating human resources with diverse perspectives by recruiting new university graduates from a wide variety of majors and using job rotation to give employees working experience in multiple departments. We also have numerous in-house systems for recognizing and commending employees in each department. Systems include “Chief Constructor” and “Construction Meister” for employees with excellent construction knowledge and “CS (Customer Satisfaction) Meister” for employees in after-sales service. Their activities are directly linked to happy homes for our customers, and help increase both quality and the value of the Sekisui House brand.

Proud to stand side by side with customers through thick and thin

One advantage of Sekisui House is the tendency for customer satisfaction to increase even after owners take possession of the house. This is the result of an approach to customer satisfaction that we foster at customer service centers nationwide: continually thinking of our customers and keeping watch over their homes throughout their lives. We value our relationships with customers even after they take possession, and work with our R&D institutes and Technology Division to provide them with maximum support.

Our customer service centers have a dedicated staff of approximately 1,500, or about one-tenth of our workforce. Under the slogan “comfortable living—now and always,” we will continue to respond to customers’ requests and inquiries for as long as they live in the homes we build, as we establish a system to provide meticulous after-sales service. We do it all for the smiles of our customers.



Customer Service

We aim for customer service that impresses. This aspiration is part of our DNA, continuously passed down from senior to junior employees, and the essence of the Sekisui House brand. We will continue on this path together with our customers, keeping watch over their homes as a partner in creating happiness.

The role of our customer service centers includes making sure houses can be lived in for a long time

Our customer service centers cooperate with Group companies to promote the resale of houses. Passing on high-quality housing to the next generation as a social asset rather than repeatedly tearing homes down and rebuilding helps to create a sustainable society that responsibly maintains housing assets. In addition, we are focusing on efforts to protect the value of buildings by establishing relationships with new owners after a change in occupants, so that quality housing can continue to be used. These initiatives are made possible by the big data that Sekisui House has accumulated over many years. Another important role of our customer service centers is to promptly provide high-quality services, supported by our unique system of centralized management of blueprints, equipment, maintenance and repair histories, and other information.

The speed and accuracy of our response drives future business

In order to realize our vision of making home the happiest place in the world, our customer service centers must be closely attuned to residents and consistently provide superior service. Sekisui House is expediting large-scale upgrades to its support operations so that all services are available to all customers. For example, we plan to develop the capability to respond accurately to inquiries 24 hours a day, 365 days a year via social media, interactive apps and other channels, as well as an automated, knowledge-based system that uses AI to create a database of sample answers using the large number of inquiries we have received in the past as reference to provide relevant responses to customer inquiries. These measures are designed to ensure residents consider their homes the happiest place in the world.