

The Foundation Supporting ESG Management



I want to create a vibrant, innovative organization and to make Sekisui House a leading company in ESG management.

Takashi Uchida

Executive Vice President & Representative Director

Sekisui House has consistently dealt with the social issues of the day. We will continue to fulfill our social responsibilities as we provide new value for residents in the era of the 100-year lifespan and make steady progress as a leading company in ESG management.

ESG Management as a Long-Term Growth Driver and a Pioneering Spirit for Our Times That Will Improve Management Quality

Looking ahead to the era of the 100-year lifespan, our business involving people and their homes is entering a new growth phase. At the same time, as a global trend, companies are expected to apply an ESG (environment, society and governance) approach in their management to enhance its quality.

In 2016, the Sekisui House Group formulated its Sustainability Vision 2050, with long-term goals for ESG management. In the following year, we incorporated mid-term goals for 2030 into our management strategy, factoring in the 17 Sustainable Development Goals (SDGs) adopted by the United Nations. We are steadily establishing the framework for a transition to enhancing the quality of our management in areas such as identifying the risks that society will face going forward and achieving long-term growth in corporate value.

Since our founding, we have encountered a variety of customers and with them we have faced and created solutions for many social issues. However, providing value by simply continuing business as usual is a slow process. Taking the viewpoint that constantly looking ahead to new challenges is vital, the Sekisui House Group aims for “Innovation and Communication,” which are also crucial for ESG management, and are having a positive impact. “Innovation” is a management orientation that turns environmental and social issues into growth drivers. “Communication” is indispensable for building relationships with customers and suppliers. At the same time, communication invigorates the employees and organizations that will generate innovation, thus enhancing management quality and complementing innovation over the long term.

Thirteen Guidelines Based on Four Key Values



The sizes of the SDG pictograph conceptually represent the degree of relation to the Group's four key values.

The Foundation of ESG Management: True Diversity and Inclusion for a Vibrant Organization That Generates Innovation for the Future

The Sekisui House Group's DNA of “a community with a common destiny,” which arises from its fundamental corporate philosophy of “love of humanity,” is deeply rooted in the culture it has cultivated as a company aiming to become a leader in ESG management. I take pride in that culture. However, complacency may cause us to fall behind amid the changes and rapid pace of the coming age. While it is important for Sekisui House to create new value with management that has assimilated an ESG and SDG-based approach, we are focusing at the same time on the degree of adoption of such an approach by employees, its effectiveness and its feasibility.

Sekisui House celebrates its 60th anniversary this year. During our first two 30-year phases, our business model and strategies as well as our corporate stance changed along with the times. In the third phase we are about to begin, I intend to focus seriously on aligning each employee's behavior and orientation with the ESG management that Sekisui House is aiming for. The proactive involvement of each employee creates a vibrant organization. We will be more than just a group of organizations that provides a rapid and well-balanced

response to ESG issues, as expected by society. We will also create a work environment that incorporates true diversity throughout. We also intend to deeply instill ESG management and SDG measures to further evolve into a robust organization that views social issues as growth opportunities. This is also part of our governance reforms.

Going forward, diversity will be an indispensable part of our approach in human resource strategies. Diversity tends to be simply viewed as the active participation of women and the employment of non-Japanese nationals and people with disabilities. However, I believe that true diversity is the sharing of individuals' differences to produce a unified result. We will transition into an organization where true diversity and inclusion is the norm—a place where human resources with diverse perspectives can engage in lively exchanges, regardless of gender, age, experience or other attributes, and as colleagues with the common goal of sustainable corporate growth. I am convinced that this will lead to real growth as a corporate group that can innovate from the bottom up. In practicing ESG management, I intend to hold to my view that people are what make a company.

I intend to build a vibrant organization and a leading company in ESG management so that Sekisui House remains respected worldwide, essential to society, and recognized as a good company by our stakeholders for the next 30 years.

Risks and Opportunities/Material Topics

The Sekisui House Group has specified that environmental, social, and governance (ESG) initiatives are important management topics, and as such they have been incorporated into its mid-term management plan. We are striving to create and develop a sustainable society as the foundation of our management.

Main ESG Management Themes		
E Environmental	S Social	G Governance
<ul style="list-style-type: none"> Decarbonized society Society in which humans and nature coexist Circular economy 	<ul style="list-style-type: none"> Pursuing customer satisfaction through our value chain Promoting diversity Workstyle innovations Human-resource development Respect for human rights Contributing to society 	<ul style="list-style-type: none"> Strengthening our corporate governance system Compliance and risk management Occupational health and safety management

Material Topics (Critical Issues) for ESG Management



Risks and Opportunities in the Context of ESG Management

Changes in the Business Environment		Specific Risk Scenarios	Specific Examples of Opportunities Created
Climate change	Acceleration of decarbonization due to concerns about global warming	Impact of extreme heat on lifestyles	Promoting net zero energy housing (ZEH)
		Impact of extreme heat on business (production and construction sites, etc.)	Promoting net zero energy buildings (ZEB)
		Impact of increasingly severe natural disasters	Popularizing highly durable (long-lasting) homes, etc.
		Introduction of carbon tax	Introducing and expanding renewable energy
Ecosystem conservation	Responses to ecosystem change due to global warming	Changes in growing ranges and areas suitable for plants used for afforestation	Effective landscaping proposals for shrubs and trees
		Demand for effective use and re-use of water resources	Popularization of water-saving housing facilities
Resource recycling	Demand for effective use and re-use of resources	Demand for higher quality recycling	Promotion of recycling business through the use of high-level, thorough sorting and "wide-area certification"
		Change in awareness, moving toward a society without plastic	Increased processing costs for plastic waste materials derived from fossil fuels
Economic and policy changes	Promotion of workstyle innovations	Reduced workforce due to declining employee satisfaction, turnover, and working-hour regulations should reforms not go ahead	Improved productivity due to better employee satisfaction, recruitment of talented personnel
		Acceptance of foreign workers	Ensuring a high-quality workforce through improvements in working environment
		Extension of loan deduction, expansion of housing benefit	Increased orders due to appropriate funding advice
		Increase in consumption tax	Various government support measures for home purchasing
Globalization	Acceleration of business globalization	Intensification of competition	Development of overseas business
		Changes in demand due to lost opportunities and changes in circumstances	Capturing long-term demand
		Lost opportunities due to an inability to respond to the needs of the new millennial generation	Expanding digital marketing opportunities
		Changes in population movement	Expanding Platinum Business, providing health-conscious housing
Changes in population movement	Total population reduction	Decline in the number of new housing starts, decline in the occupancy rate of properties under management, worsening problem of unoccupied houses	Provision of good-quality housing
		Decline of rural areas	Increased need for regional revitalization
		Delay in employees returning to work	Increased opportunities for preschool intake, improved child support systems
		Increasing complications and trouble with asset inheritance	Increased circulation of existing housing and need for real estate management trusts
		Competition to be first in advanced health-related technology	Promoting the sale of housing that contributes to health
		Competition to be first in advanced health-related technology	Promoting the sale of housing that contributes to health
Technological innovation	Coming of an IoT/AI era	Loss of business opportunities, rising necessity for security measures	Providing highly convenient housing
		Discontinuity in transfer of construction techniques	Improving construction efficiency

Fifth Mid-Term Management Plan Measures and Initiatives

E Environmental

- Strengthen and expand net zero energy housing (ZEH)
- Promote RE100¹ through Sekisui House Owner Denki²
- Be a global ESG leader

S Social

- Build a pipeline of human resources to strategically develop into next-generation managers and leaders
- Strengthen recruitment ability and secure a range of talent for new business domains
- Promote diversity
 - Create workplaces that demonstrate the power of diversity
 - Increase growth generated by intangible assets
- Tackle social issues
 - Help create a society that delivers maximum value to customers and achieve the SDGs

G Governance

- Senior Management Level**
 - Reform corporate governance systems and strengthen their effectiveness
 - Work to reform management through collaboration (collaborative creation) and the creation of fair and healthy tension with outside directors
 - Enhance information disclosure and promote dialogue with stakeholders
 - Gain trust of stakeholders through honest and fair information disclosure
- Business Management Level**
 - Increase integrity at business management level
 - Achieve governance by managers with integrity, based on mutual trust
 - Strengthen Group governance systems
 - Foster mutual trust between Group companies based on corporate philosophy

1. An international initiative of corporations that aims to use 100% renewable energy in their business activities
 2. Program under which owners of Sekisui houses sell excess electricity generated by photovoltaic systems installed on their houses to Sekisui House, Ltd. for use in the Sekisui House Group's corporate activities

Environmental Strategy

Sekisui House is promoting the integration of its environmental strategies and business strategies to fulfill its mission of making life happy for customers.

In our quest to make life happy for customers, we have made safety, security, comfort and health essential elements of the housing we provide. We are working to achieve this by constantly improving technology and quality.

For example, significantly improving thermal insulation has enabled people to enjoy warmth and comfort in large rooms with no partitions and to take in a view of their garden through large windows. We have also improved energy efficiency significantly with features such as photovoltaic systems for power generation, high-efficiency air conditioning and hot water supply. In addition, we work to make houses beautiful. For example, we have developed original roofing tiles that incorporate photovoltaic panels. Installed in a large number of buildings, they serve as both functional roofing materials and beautiful design elements. Our designs not only enable customers to enjoy comfort and utility bill savings by simply living as they normally do, but also add to the beauty of the townscape. Thus, we further our environmental strategies by offering customers environmentally friendly proposals as added value. In this way, we expand our businesses while helping to resolve environmental issues such as global warming.

Sekisui House consistently anticipates social trends in setting environmental goals and implementing concrete

initiatives. In 1999, we announced our Environmental Future Plan to fulfill our responsibilities to the future of the planet. We also issued our Declaration of Sustainability in 2005 as a management blueprint for helping to create a sustainable society. In 2008, we announced our 2050 Vision, becoming the first Japanese company to issue a decarbonization declaration. In 2009, we launched the Green First models that reduced the CO₂ emissions of daily living by 50% compared with 1990, and in 2013 we launched Green First Zero, a net zero energy house (ZEH) that features improved performance. Today, 87% of new houses we build are ZEH, and the cumulative total of 51,793 houses that we have sold to date makes us the industry leader in Japan.¹

We will extend these initiatives by expanding ZEH sales promotion from newly built houses to existing houses, rental housing and condominiums. We are also considering ZEH initiatives in our overseas business. In addition to ZEH, Sekisui House is implementing other initiatives that integrate its environmental and business strategies to create added value for customers, such as the *Gohon no ki* (five trees) native tree landscaping project that promotes biodiverse landscaping. Such initiatives will help make life happy for all of our customers.

1. Source: Sekisui House data

Fifth Mid-Term Management Plan Priority Measures

Net Zero Energy Houses (ZEH): Targets² and Progress³

• **ZEH detached houses (Green First Zero)**
Target: 90% of orders received for newly built houses
Progress: 87% of orders received for newly built houses
 (Cumulative total of 51,793 ZEH detached houses sold)

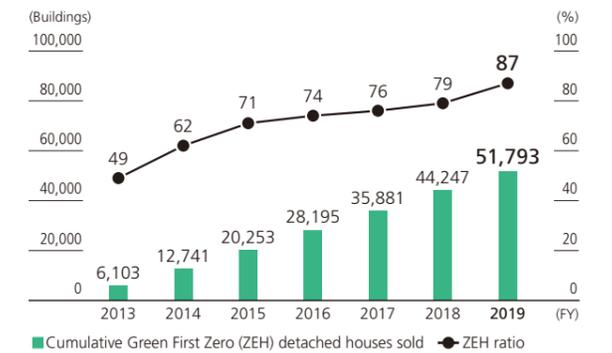
• **ZEH-M rental housing**
Target: 2,500 newly built units per year
Progress: 447 newly built units per year
 (Cumulative total of 679 ZEH units sold)

• **ZEH-M condominiums**
Target: Cumulative total of 540 units
Progress: Cumulative total of 12 units

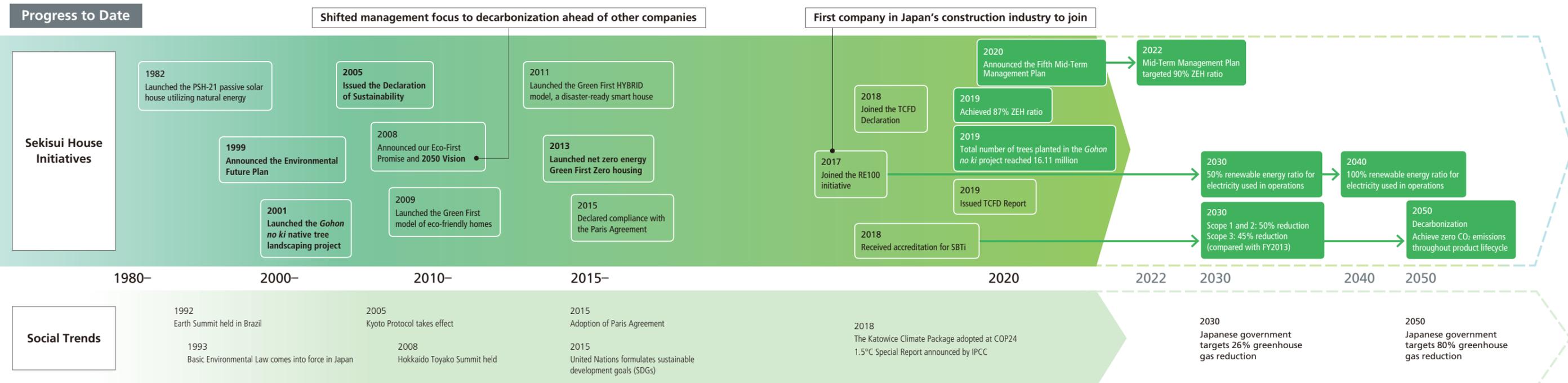
• **ZEB commercial buildings (net zero energy buildings)**
 We are deploying our pre-engineered housing construction capabilities and ZEH technologies and expertise acquired over many years to transition to ZEB in our non-residential building business. Starting with the completion of the first ZEB in northern Japan—the new office of Sekiwa Construction Tohoku—we have constructed ZEB office buildings, nursing care facilities, and childcare facilities in other parts of the country.

2. Fifth Mid-Term Management Plan targets for achievement in FY2022
 3. Results from April 2019 through March 2020; condominium data are cumulative

Green First Zero (ZEH) Progress



Japan's first all ZEH-M rental housing units (Kanazawa City, Ishikawa Prefecture)



Addressing the Task Force on Climate-related Financial Disclosures (TCFD)

Sekisui House is targeting net zero CO₂ emissions throughout the entire life cycle of its housing products from material purchasing to production, sales, occupancy and demolition. At the same time, we recognize that various risks and opportunities may arise due to climate change during that process, so we will implement appropriate initiatives through our businesses to address changes in society as a whole.

Sekisui House quickly joined the TCFD Declaration in 2018, and in 2019 was the first non-financial company in Japan to issue a TCFD Report disclosing relevant financial information. We examined the validity of our existing strategies using an analysis of two scenarios: the risks and opportunities if we take actions to transition to a decarbonized society that limits the rise in average global temperature to the recommended 1.5°C, and the physical risks if the average global temperature rises to 4°C despite corporate actions. As a result of our analysis, we concluded that the Sekisui House Group's existing strategies presented few financial risks, rather, substantially greater opportunities because its strategy of pursuing not only environmental performance but also disaster resilience and the essential comfort that housing should provide had already begun to address decarbonization of its products and abnormal weather in all businesses.

Our TCFD Report presents climate-related risks and opportunities and their potential financial impact.

Sekisui House will continue to verify the validity of its climate change countermeasures and growth strategies in

corporate activities. We will also proactively disclose information on the results of this process and engage in dialogue with stakeholders.



Chairman Abe presenting at COP24, where our environmental initiatives were well received

Click here to view the Sekisui House TCFD Report.

https://www.sekisuihouse.co.jp/english/tcfd/2019/TCFD_2019e.pdf



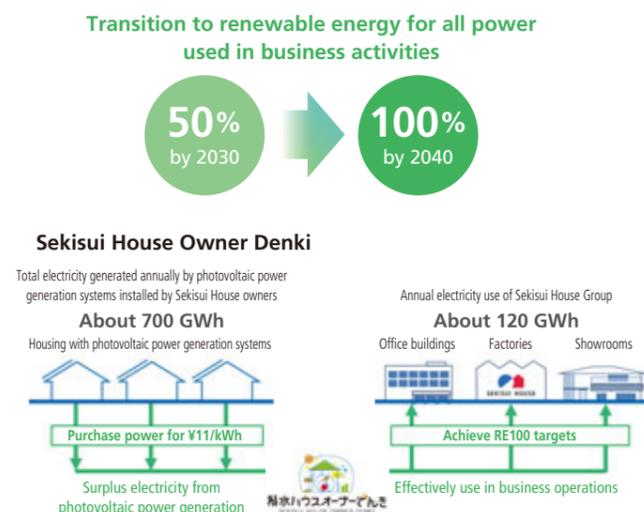
Readers can scan the QR code to access the PDF file.



Fifth Mid-Term Management Plan Priority Measures

Promoting RE100 with Sekisui House Owner Denki

In October 2017, Sekisui House was the first company in the Japanese construction industry to join the RE100 initiative. We are actively promoting the use of renewable energy in our business operations, and by 2040 will transition completely to power from renewable sources for all the Sekisui House Group's needs. Toward this end, in November 2019, we launched Sekisui House Owner Denki, a program through which we purchase surplus electricity for use by Group businesses from owners of Sekisui House products equipped with photovoltaic power generation systems. A total of 47% of eligible homeowners were participating in this program as of March 2020.



Climate-related Risks and Opportunities and Potential Financial Impact (excerpt from TCFD Report)

Risks		Climate-related Risks	Potential Financial Impact
Risks in Transitioning	Policy and regulations	Rising cost of greenhouse gas emissions	A carbon tax of ¥10,000 yen/t-CO ₂ would increase our tax liability by ¥19.5 billion/year, or 0.9% of net sales, calculated using FY2018 emissions. RE100 and other initiatives will reduce CO ₂ emissions, which would mitigate the impact of such a carbon tax if introduced. ¥19.5 billion/year
	Technology	Replace existing products and services with low-emission options	We have already addressed this issue in core businesses. We will expand initiatives to all businesses, but this poses no development risk and does not necessitate major systemic changes. Not material
	Markets	Changing customer behavior	We are transitioning to decarbonization products such as ZEH, and have done so completely for detached houses. We are now extending initiatives to other products such as rental housing and condominiums. Not material
Physical Risks	Acute	Increased severity of extreme weather events such as cyclones and floods	We have already addressed heavy rain and strong winds by changing our design standards. On the other hand, the development of flood-resistant housing is an issue for future study, so we did not include it in our calculations. Not quantified
	Chronic	Changes in precipitation patterns and extreme changes in weather patterns	We assume that flood risk for our Kanto Factory is ¥28.5 billion, but we have insurance coverage for this. We have no significant assets such as land for sale that could be flooded, and we will continue to follow rules including hazard map confirmation when purchasing land. ¥28.5 billion

Opportunities		Climate-related Opportunities	Potential Financial Impact
Opportunities	Energy sources	Use of lower-emission energy sources	Addressing this issue by purchasing non-fossil fuel energy certificates would cost ¥150 million/year, but we plan to achieve RE100 at no additional cost through the Sekisui House Owner Denki program. ¥150 million/year
	Products and services	Development and/or extension of low-emission products and services	We assume that by around 2030, annual net sales will increase by ¥9.68 billion in the custom detached houses business, ¥4.08 billion in the rental housing business, ¥16.2 billion in the remodeling business, ¥2.5 billion in the real estate management fees business, and ¥3.3 billion in the overseas business. ¥35.76 billion/year

* Prepared with reference to Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017)

The Gohon No Ki Project: Promoting Biodiversity and Increasing Resident Value

Sekisui House has been implementing the *Gohon no ki* project since 2001 to plant native trees. "*Gohon no ki*" means "five trees" in Japanese, and the project concept is that three of five trees planted will be for birds and two will be for butterflies. In FY2019, 1.09 million trees were planted through the project, bringing the cumulative total to 16.11 million. This biodiversity conservation project has made Sekisui House a leading landscaping company in Japan.

Creating gardens through the *Gohon no ki* project offers customers greater comfort in their daily lives, adds beauty to townscapes, and helps increase property value. We are expanding the project from custom detached houses to rental housing and condominiums.

We have published an original illustrated book titled *Garden Trees* that includes an introduction of the features of the *Gohon no ki* project as well as a QR code that provides access to information including birdcalls and characteristics of the birds and butterflies that congregate in the trees we plant. This book, our efforts to conserve

biodiversity and our promotion of tree planting are just some examples of our environmental business strategies besides addressing climate change.

Tree Selection for Hokkaido
For birds: Sargent's cherry, Japanese yew, Japanese spindle tree
For butterflies: White birch, Weigela

Tree Selection for Honshu, Shikoku and Kyushu Interior and Mountains
For birds: Mountain cherry, Longstalk holly, Burning bush
For butterflies: Japanese bush clover, Clethra

Tree Selection for Tohoku and Chubu Mountains
For birds: Mountain ash, Japanese yew, Linden viburnum
For butterflies: Konara oak, Japanese bush clover

Tree Selection for Honshu, Shikoku and Kyushu Coastal Areas
For birds: Japanese mountain cherry, Kobushi magnolia, Japanese eurya
For butterflies: Sawtooth oak, Japanese maple

Tree Selection for Shikoku and Kyushu Southern Coastal Areas
For birds: Japanese bayberry, False daphne, Japanese cheesewood
For butterflies: Japanese silvertree, Japanese peppertree

A tree nametag

Readers can scan the QR code to access the website (Japanese only).

Human Resources Strategy

Providing houses where customers can feel happier by promoting a human resources strategy that lets all employees fully display their skills

Taking the perspective of women into account is important for enhancing our ability to respond to social changes in the housing and construction industry. Based on this management policy, in 2006 Sekisui House established the Diversity Development Team (currently the Diversity and Inclusion Promotion Department), which has been promoting diversity. Also in 2006, we announced a basic personnel policy of Human Resources Sustainability, consisting of three pillars: encouraging female employees to pursue career development; effectively utilizing diverse human resources; and promoting a variety of working styles and work-life balance. Moreover, in 2016 we established concrete policies and initiatives and a promotion framework to step up activities under Sekisui House's Action Plan for the Promotion of Active Participation by Women, which is based on the Act on Promotion of Women's Participation and Advancement in the Workplace. Company divisions are coordinating initiatives and engaging in regular discussions in steadily implementing those initiatives.

For the Company to grow sustainably and remain essential to society going forward, we believe that efforts to cultivate a corporate culture with opportunities for all employees to fully display their skills will lead to a more vibrant organization and generate innovation.

Under the Fifth Mid-Term Management Plan, we will work to secure and cultivate our next generation of innovative human resources and improve the work environment as a leading company in ESG management.

Priority Measures under the Fifth Mid-Term Management Plan

Cultivating the Next Generation of Managers and Leaders

In this VUCA* world, there is no guarantee that the achievements and human skills Sekisui House has accumulated will continue to be relevant going forward. We believe that even our human resources strategy requires the agility to adapt swiftly to environmental changes, as well as the ability to generate change itself. We will focus on building a human resources pipeline to systematically select and develop the next generation of managers and leaders as candidates for branch manager, division general manager and executive officer, starting with young employees under the age of 35.

* An acronym for Volatility, Uncertainty, Complexity and Ambiguity

Recruitment Reform to Attract a Range of Talent

We aim to attract capable young talent with new sensibilities who will lead the next generation of leaders at Sekisui House. We are working to expand the channels for hiring new university graduates beyond conventional methods to include year-round recruiting, referrals and internships in cooperation with other industries.

It will also be essential under our long-term management

vision to enhance the capabilities of the new human resources who will support our third-phase growth strategy by incorporating open innovation. We are promoting innovation and digital transformation to contribute to society as a company that continues to provide happiness for residents in the era of the 100-year lifespan. We will reform recruitment to allow us to attract a range of talent, including high achievers and skilled specialists from other industries, human resources in the STEM (science, technology, engineering, mathematics) fields and highly skilled IT engineers. This will help us achieve the Fifth Mid-Term Management Plan core policy of further strengthening core businesses and embarking on new businesses.

Promoting Diversity

As a management strategy, the Sekisui House Group is promoting greater diversity within the organization. At the same time, we are promoting inclusion, with the aim of creating workplaces where all employees accept and make the most of each other to maximize the power of their diversity.

• Promoting the Active Participation of Female Employees

Top management has committed to a policy of "The active participation of women is vital for the Company's growth." Senior executives are regularly involved in discussions of diversity issues and initiatives as we work to promote career development and build networks for female employees by job type, rank and region.

We began actively recruiting female sales staff in 2005. Since 2007, we have been holding an annual nationwide meet-and-greet event for female sales staff to share success

stories of outstanding employees and to support career development and networking. We have also established a Female Sales Staff Promotion Committee to support the retention and development of young employees and the appointment of female branch managers. To further enhance our support system, in August 2019 we started a mentor system that pairs female employees so they can discuss concerns specific to women.

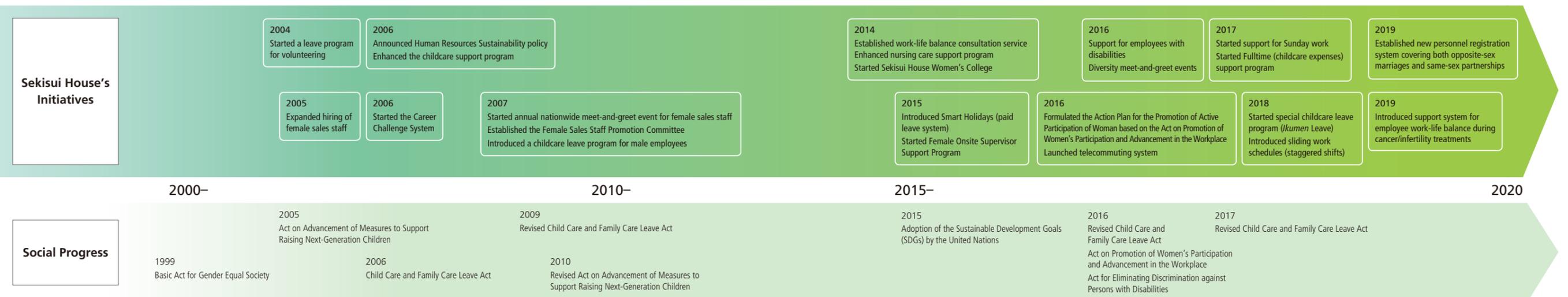
For technical positions, we are focusing on cultivating female leaders for management, as well as specialists such as certified Chief Architects who must have outstanding qualities, have made significant achievements and earned a high level of trust inside and outside the Company. To expand the range of technical positions for women, we conduct personnel exchanges with Group companies and systematically appoint female onsite supervisors. Through these and other measures, such as a support program for female onsite supervisors and guidance for working during pregnancy, we are striving to create comfortable workplaces for women.

In 2014, we opened Sekisui House Women's College to train and appoint female managers. Each year we select



Sixth graduating class of Sekisui House Women's College

Progress to Date



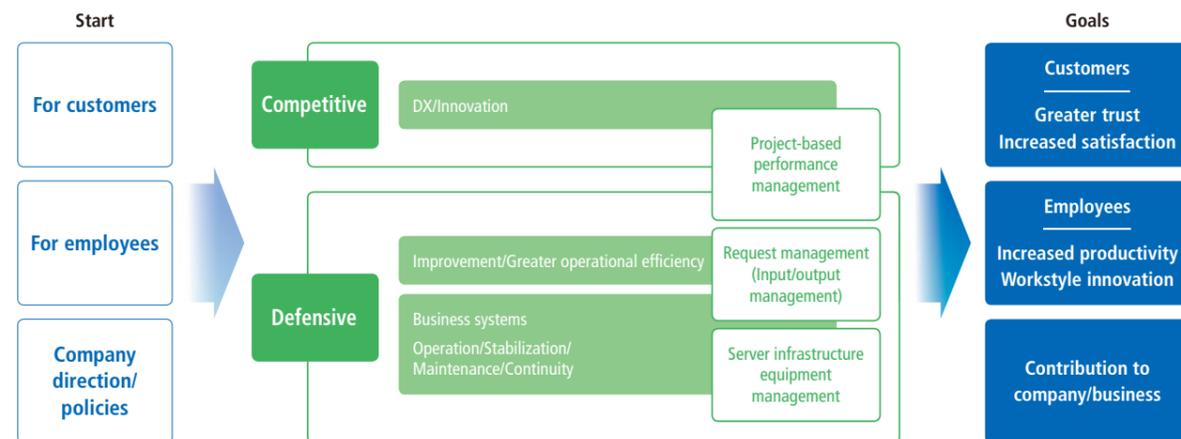
Transforming Our Business Activities with Competitive and Defensive IT

Over the years, Sekisui House has continually revised the classification and role of its IT operations in light of changes in the business environment in order to maintain its competitive advantage in the industry. Until 2008, the current IT Operation Department was called the Information Systems Department and was part of the Administration Division. At that time, the department mainly performed contracted work, such as the installation and maintenance of individual systems tailored to the requests of the user department. Meanwhile, it also began to establish proposal-based activities. In these activities, the Information Systems Department gained an understanding of the essence of the user department's issues and created systems, such as a new application that linked data dispersed among various departments, that surpassed user expectations. Senior

management evaluated these activities and their results highly, changing the name of the department to the IT Business Department in 2009 to pursue the potential of IT. In 2018, the department was reclassified as part of the Business Strategy Division.

The labor shortage in Japan and workstyle innovation are urgent issues for the Sekisui House Group. However, we realize that it will be impossible to resolve them simply by continuing to enhance and upgrade our current information systems. Therefore, for the past several years we have been planning and promoting our IT strategy from both a defensive and a competitive perspective, based on our view that the value we create for all stakeholders (customers, owners, tenants, shareholders, employees, suppliers, partner building contractors and others) is value for our company.

IT Strategy Promotion Framework



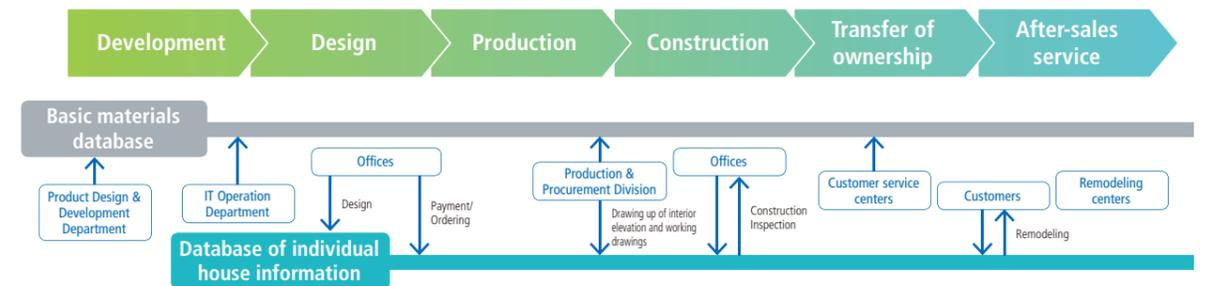
Competitive IT Strategy

Competitive IT entails stepping up measures for advanced digital transformation (DX)¹ using the Internet of Things (IoT) and blockchain technology² with the aim of establishing an IT platform directly linked to profit. The customer information and enormous amount of design data that the Sekisui House Group has accumulated over the past 60 years are centrally managed as key information assets that underpin our competitive advantage. Using a secure IT platform, we have begun efforts to generate profit by deploying these assets in new businesses and services.

As part of these efforts, since 2019 we have been building a new real estate platform utilizing blockchain technology for the real estate management fees business. Current procedures for each stage from property search and

onsite inspection to the rental contract are cumbersome, requiring the preparation of many documents. We aim to make all procedures up to taking occupancy seamless using a website linked to a blockchain. Property information such as location, floor plan, household amenities and remodeling history, and tenant information such as payment history and actual occupancy of the property as a primary residence will be recorded on a blockchain. Tenants with long-term occupancy and no history of delinquent rent payments or similar factors will enjoy smoother background checks the next time they move, as well as the benefits of higher-grade services from cooperating telecommunications, gas and insurance companies. We are also considering tie-ups with municipal water departments, electric power companies, government agencies and other parties in the near future,

Integrated Management of Customer Information and Design Data



with plans to create a cross-industry consortium that will both improve convenience for tenants and ensure profit for participating companies.

In addition, our previously announced Platform House Concept will use IoT and AI to generate new profits from services based on resident data.

1. Digital transformation (DX): Companies' transformation of their business models based on the needs of customers and society, using their accumulated data and digital technologies to respond to changes in the business environment, as well as the transformation of their organizations and corporate cultures to establish a competitive advantage
2. Blockchain technology: A method for using a combination of multiple computers and encryption technology on an open network such as the Internet to enable financial transactions and the exchange of important data that require a high level of reliability

Defensive IT Strategy

Defensive IT entails raising operational efficiency through system-level reforms and upgrades, as well as constructing and stably operating system infrastructure that allows our competitive IT strategy to function. We believe that stable operation requires IT governance—defined rules for strategic control of investment in individual information systems and the related effects and risks. By continually minimizing risks and optimizing resources, we are working to maintain the Group's database and enhance the value created by our IT strategy.

For example, because the nature of our business requires handling customer information, we deal with security risks by aggregating important data on a cloud-based platform and providing thin client tablets to all employees. This environment facilitates information sharing among departments and supports workstyle innovation by enabling employees to work at any time and any place. It also reduces security risks through a mechanism that remotely disables lost tablets.

To gain a deeper understanding of workplaces, since 2017 the IT Operation Department has been conducting Caravan, a program in which all department members share the task of visiting and interviewing site supervisors, design staff and salespeople at the Company's more than 200 branches

nationwide. Based on the onsite needs and issues identified through Caravan, the department is working to enhance the usability of the tablet by improving the approximately 200 apps that have been developed in-house, as well as by developing new functions.

Since the IT Operation Department remains in close touch with work sites, management and back-office departments throughout Japan, it can act as an intermediary between various departments and levels of the hierarchy from an objective standpoint, thus helping to mobilize the diverse capabilities of each Group company and organization.



Using a tablet at a construction site

Selected as a Competitive IT Strategy Company Stock for Three Consecutive Years

In recognition of its outstanding IT strategy, Sekisui House was included in the 2019 Competitive IT Strategy Company Stock Selection program conducted jointly by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. In this program, 29 companies were selected for their proactive efforts for IT utilization to improve management innovations, earnings and productivity in terms of improving mid-to-long-term corporate value and fortifying competitiveness. It was the third time for Sekisui House to be selected for inclusion.



Basic Concept

Corporate governance provides the requisite framework for sustaining growth in corporate value while earning the trust of shareholders, investors and all other stakeholders. The Sekisui House Group (the Group) has structured its corporate governance system based on its corporate philosophy, which holds love of humanity at its core. This system enables speedy, sincere management characterized by integrity, and the Group shares the system's basic concept and framework with stakeholders through its Basic Policy on Corporate Governance.

The Sekisui House Group positioned FY2018 as the first year of governance reforms. Initiatives to improve corporate value included six specific measures to strengthen the corporate governance system. We are steadily implementing

each initiative to build a resilient management base for long-term, sustained growth in corporate value.

Integrity—sincerity and high moral values—is central to our governance reforms. This concept resonates with love of humanity, which is at the core of our corporate philosophy, and with our basic stance of truth and trust. We prioritize integrity in all corporate activities, from the actions of the Board of Directors to personnel evaluation, sales, production and construction, while implementing reforms as a leading company in ESG management.

Note: Details regarding the Basic Policy on Corporate Governance are available on our website. https://www.sekisuihouse.co.jp/english/info/Governance_Guideline_E.pdf

Changes in Governance

2002	Executive officer system introduced
2003	Sekisui House Group Corporate Code of Conduct formulated
2005	CSR Committee established
2006	Retirement bonus system for directors abolished and stock remuneration-type stock option system introduced
2008	One outside director appointed
2009	Outside Audit & Supervisory Board members increased from two to three
2012	Outside directors increased to two
2016	Basic Policy on Corporate Governance formulated Personnel Affairs and Remuneration Committee and Risk Management Committee established as consultative bodies to the Board of Directors

Positioned as the first year of corporate governance reforms, with steady implementation of various initiatives including six measures to strengthen the corporate governance system

2018-2019

1. Introduction of a mandatory retirement age of 70 for representative directors
2. Appointment of women as outside officers
3. Transparency and invigoration of meetings of the Board of Directors
4. Establishment of the Management Meeting
5. Clarification of departments under the control of directors
6. Evaluation of the effectiveness of the Board of Directors
7. Ensuring the independence and strengthening the check-and-balance functions of the Chief Manager of the General Affairs Department, Sales Administration Headquarters and general managers of the branches
8. Increasing the integrity of branch managers
9. Introduction of a restricted stock remuneration system
10. Abolition of the bonus system for outside directors

Characteristics of Sekisui House Group Governance

The Group's governance reforms are characterized by both an increase in the effectiveness of governance and sustained growth. However, more active communication and individual employee growth are essential. Innovation and communication are therefore the watchwords of our initiatives.

Our first initiative was to establish the Management Meeting to help officers enliven the exchange of opinions and share information. Established as a new organization in 2018, the Management Meeting now functions as a deliberative body prior to Board of Directors meetings rather than as a reporting body. The lively exchange of opinions prior to Board of Directors resolutions facilitates constructive discussion among members of the board. Internal directors and full-time Audit & Supervisory Board members are required to attend Management Meetings, and outside directors and outside members of the Audit & Supervisory Board may attend every meeting if they wish, and several always do. Management Meetings also enhance discussion and help officers share candid opinions and detailed information through proactive reporting and deliberation

related to collective decisions, agendas and other matters not covered by the Board of Directors Proposal Standard.

Given the increasing sophistication and complexity of corporate management, the operation of the Management Meeting has enabled the Board of Directors to allocate the time needed to discuss essential strategies for long-term growth. It also helps the Group structure even more resilient corporate governance.

Our second initiative was to enhance open discussion by establishing regular meetings in 2018 centered on four representative directors. The members of the council utilize their combined expertise and knowledge to make appropriate decisions without concentrating authority in a single person. To expedite decision-making, the four representative directors hold meetings twice monthly, and other members of senior management attend, drawing on a collective understanding forged from the activity reports of individual council members and frank discussion of emerging management developments.

Main Initiatives

Revised term of office for directors	We shortened the term of office for directors from two years to one year to clarify the management responsibilities of directors, increase opportunities for shareholders to take a vote of confidence, and build a management organization that can respond quickly to changes in the business environment.
Abolished the executive advisor/advisor system	We abolished the executive advisor/advisor system to add transparency to our management organization and clarify accountability to further strengthen corporate governance.
Fundamentally revised the remuneration system for officers	<ul style="list-style-type: none"> • The General Meeting of Shareholders held in April 2019 introduced restricted stock remuneration and abolished the bonus system for outside directors. • The General Meeting of Shareholders held in April 2020 clarified basic remuneration policy, revised the basis for proportional allocation of remuneration and determined appropriate remuneration levels. • Introduced performance-related bonuses and a performance-related stock remuneration plan, revised the payment limits under the restricted stock remuneration plan, and clarified the key performance indicators (KPI) for performance-related remuneration and the calculation method.
Introduced shareholding guidelines	We have established shareholding guidelines for relevant directors to ensure that value is shared continuously with shareholders. As a rule, the requisite base amount of shareholdings that directors must maintain during their terms of office, based on their positions and measured at market price, is twice the annual basic remuneration for representative directors and equal to the annual basic remuneration for other eligible directors.
Established provisions for recovering stock remuneration (malus and clawback)	In order to minimize excessive risk taking and to ensure sound management, we formulated malus and clawback provisions for recovering all or part of stock remuneration prior to vesting, applicable for specified reasons.
Formulated criteria and procedures for appointing and dismissing senior management	The Personnel Affairs and Remuneration Committee regularly deliberates on basic policies and procedures for appointing internal directors and succession plans for representative directors and other officers.
Improved independence of the Board of Directors	As of April 24, 2020, we increased the number of outside directors by one (constituting one-third or four of the 12 members of the Board of Directors) to further strengthen the management supervisory function of the Board of Directors and the corporate governance system.

Direction of Reforms from 2020 Onward

1 Reforms at the Senior Management Level

The General Meeting of Shareholders held in April 2020 increased the number of outside directors by one. Outside directors now constitute one-third of the Board of Directors. Our primary objective was to strengthen the board's management supervisory function. Other objectives were achieving the long-term management vision and management innovation through collaborative creation with outside directors and by engendering fair and healthy tension.

During the Fifth Mid-Term Management Plan that began in 2020, we will strengthen the effectiveness of the Personnel Affairs and Remuneration Committee, review the role of the Management Meeting, and review the overall design of our governance system with a focus on reforming the executive officer system. We will also implement a PDCA cycle that draws on third-party reviews and outside expertise, enhance information disclosure, and promote governance reforms at the senior management level based on dialogue with stakeholders.

1) Systemic corporate governance reforms and enhanced effectiveness

Aim for management innovation through collaborative creation with outside officers and by engendering fair and healthy tension.

- (1) Review the overall design of the governance system
 - A. Review the Personnel Affairs and Remuneration Committee system (chairperson and composition) to strengthen its effectiveness.
 - B. Review the role of the Management Meeting in the business execution system.
 - C. Reform the executive officer system and develop candidates for the senior management team.
- (2) Implement a PDCA cycle that uses third-party reviews and draws on outside expertise
 - A. Have an external third-party evaluate the effectiveness of the Board of Directors on a regular basis.
 - B. Improve the Corporate Governance Code and shareholder relations activities based on third-party and other reviews.

2) Enhance information disclosure and promote dialogue with stakeholders

Gain the trust of stakeholders through honest and fair information disclosure.

- A. Produce an Integrated Report to tell our corporate story.
- B. Further enhance opportunities for dialogue with institutional investors and individual shareholders.

The Group's governance reforms have made steady progress in the two years since 2018. We have promptly implemented specific measures such as invigorating Board of Directors

2 Reforms at the Business Management Level

Sekisui House Group strengths are a function of the ability of its front-line organization, including the Sales Administration Headquarters, branches, factories, and Group companies in Japan and overseas. This is because our front-line organization is most aware of operational issues from the perspective of customers. Accordingly, we will implement governance reforms at the business management level to further enhance our front-line capabilities.

During the Fifth Mid-Term Management Plan, we will develop business managers with a high level of integrity and achieve a governance system based on mutual trust by defining personnel requirements and by establishing and strengthening a training system. To ensure that our governance system maximizes management synergies for the entire Group, we will clarify the authority and responsibilities of the parent company and subsidiaries, build a network linking the administrative headquarters of the parent company and subsidiaries, establish lines of reporting, strengthen development of and appropriately assign governance-related human resources, and coordinate auditing at the parent company and subsidiaries.

1) Increase integrity among business managers

Achieve governance based on mutual trust through managers with a high level of integrity.

- (1) Clarify requirements of business managers and establish and strengthen systems for their development.
- (2) Expand the scope of those subject to integrity management training (including head office employees in positions of responsibility and Group officers).

2) Strengthen Group governance systems

Foster mutual trust among Group companies based on the corporate philosophy.

- (1) Establish a governance system that will maximize management synergies for the entire Group.
 - A. Clarify the authority and responsibilities of the parent company and subsidiaries and reflect these in the design of the organization.
 - B. Build a network linking the administrative headquarters of the parent company and subsidiaries, and establish lines of reporting.
- (2) Strengthen the development of human resources and allocate them appropriately.
 - A. Strengthen development of governance-related human resources. (Recruitment from outside the Group, exchange of human resources among Group companies) (Integrity + Experience and Knowledge + Ability to Act)
 - B. Allocate such human resources appropriately, including to overseas subsidiaries.
- (3) Promote cooperation among auditors at the parent company and at subsidiaries.

meetings, enhancing their transparency and appointing a female outside officer to strengthen our governance system. The General Meeting of Shareholders held in April 2020

fundamentally revised the officer remuneration system with emphasis on objectivity, transparency, and accountability to stakeholders. Reforms included increasing the ratio of outside directors on the Board of Directors and shortening the term of office for directors.

Under our third-phase vision for 2020 onward, we aim to be a leading company in ESG management, to promote the spread of Sekisui House technologies worldwide, and to

evolve into a global company that offers integrated proposals of technologies, lifestyle designs and services, based on the residential domain. Backed by this mindset, from 2020 we will further enhance the effectiveness of corporate governance by implementing governance reforms at the senior management and business management levels, and by fostering an organizational climate for realizing innovation and communication.

Evaluation of Effectiveness

Sekisui House positioned FY2018 as the first year of governance reform. One of the six specific measures we undertook for strengthening our corporate governance system was initiating an annual analysis and evaluation of the effectiveness of the entire Board of Directors. This measure includes checking the status of support systems for directors and Audit & Supervisory Board members, and uses a PDCA cycle to improve the effectiveness of the Board of Directors and strengthen corporate governance.

In 2019, we used an independent third-party evaluation company to prepare a questionnaire that we administered to directors and Audit & Supervisory Board members. Prepared

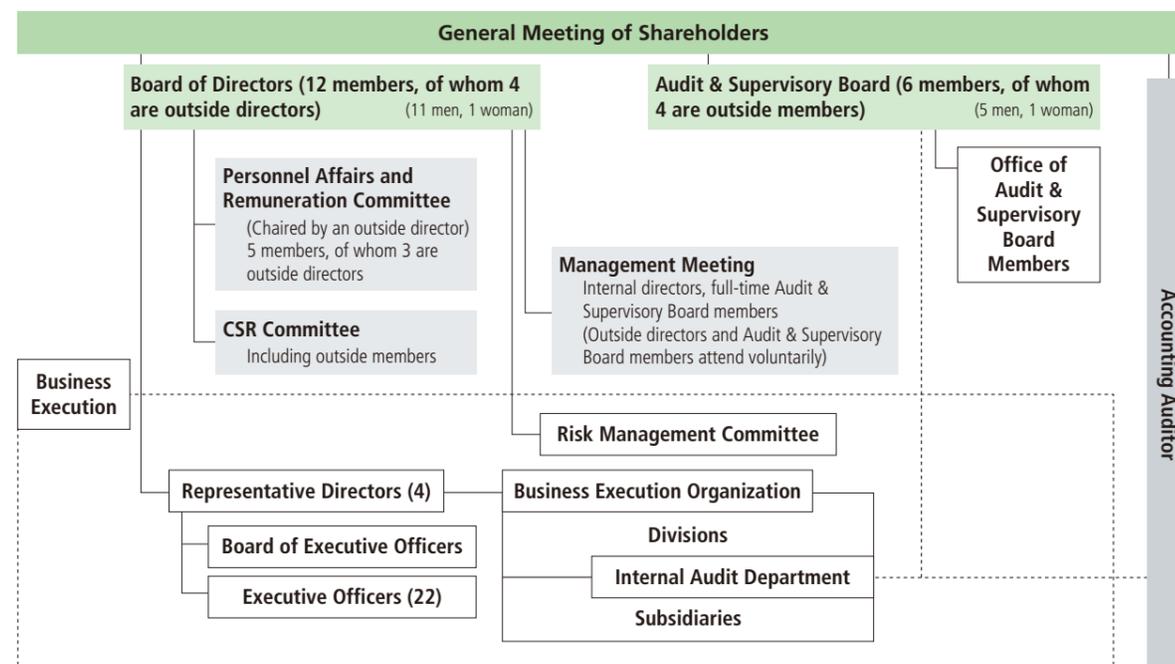
from a third-party perspective, the questionnaire was used to objectively analyze and evaluate the effectiveness of our Board of Directors. Based on the results of the questionnaire, nine directors and six Audit & Supervisory Board members were interviewed. The results indicated that the strengths of our Board of Directors include its composition, structure and lively discussions, and that it was highly effective in general. We will make further improvements by continuing to enhance corporate governance through various measures including strengthening the effectiveness of the Personnel Affairs and Remuneration Committee.

Initiatives to Enhance the Effectiveness of the Board of Directors

FY2018 Evaluation and FY2019 Initiatives	
FY2018 Evaluation	We confirmed significant improvements in the agenda and discussions of the Board of Directors, and saw steady progress in governance reforms to improve the transparency of and to invigorate meetings. (Key findings from the questionnaire) <ul style="list-style-type: none"> • Discussions were more meaningful than in the previous year. • The atmosphere of the meetings facilitated discussion.
FY2019 Initiatives	<ul style="list-style-type: none"> • We enhanced discussions of business strategy and the mid-term management plan. • We optimized handling of agenda items for the overseas business and urban redevelopment business. • We further enhanced the system for providing explanation and information to outside directors and outside Audit & Supervisory Board members in advance of Board of Directors meetings. • We further enhanced and systematized training for directors and Audit & Supervisory Board members.
FY2019 Evaluation and FY2020 Initiatives	
FY2019 Evaluation	Generally, the Board of Directors was found to be highly effective, with strengths including its composition and structure, lively discussions, deliberation on investment projects, and mechanisms for discussing medium- and long-term issues. (Key findings from the questionnaire and interviews) <ul style="list-style-type: none"> • The board's structure was well-balanced, with a core of four representative directors and a system that emphasized effectiveness. • Measures including the use of tablet devices to provide advance information supported lively discussions. • Deliberation of investment projects was supported by ample reference materials and sufficient time for discussion. • The use of deliberative bodies such as the Management Meeting ensured sufficient time to discuss the improvement of corporate value over the medium to long term.
FY2020 Initiatives	<ul style="list-style-type: none"> • Strengthen the effectiveness of the Personnel Affairs and Remuneration Committee. • Create succession plans. • Establish a system for auditing subsidiaries.

Governance System

Corporate Governance System (As of April 24, 2020)



Board of Directors

In principle, the Board of Directors meets once per month. To improve corporate value over the medium to long term, the Board of Directors shall be responsible mainly for establishing management policies, strategies and plans, and making decisions on the execution of important operations, as well as for supervising and evaluating the execution of duties by directors and executive officers and for establishing systems, such as internal control and risk management, to ensure the soundness of management.

To promote constructive exchange of opinions, we decided not to combine the positions of the chairman of the Board of Directors and the convener. Therefore, the vice chairman serves as the chairman of the Board, while the president serves as the convener.

The Board of Directors comprises members who are well-informed and knowledgeable about the Company's business, and members who are well-versed in financial accounting and legal compliance. The board's composition balances diversity, including that of gender, and has an appropriate number of members, including three or more outside directors, who account for at least one-third of members.

In the fiscal year ended January 2020, the Board of Directors met 12 times with an attendance rate of 99.0% (100% for outside directors and 97.9% for outside Audit & Supervisory Board members). We use a third-party organization to periodically conduct analysis and evaluation of the overall effectiveness of the Board of Directors in order to enhance the board's effectiveness and promote its ongoing reform and improvement.

Board of Director Composition (As of April 24, 2020)

Directors (Including Outside Directors)	Outside Directors	Age		
		Under 50	50-59	60 and above
12 (11 men, 1 woman)	4 (3 men, 1 woman)	0	2	10

Personnel Affairs and Remuneration Committee

As a consultative body to the Board of Directors, the Personnel Affairs and Remuneration Committee provides opinions on matters relating to the directors and executive officers and their remuneration in order to ensure fairness and transparency.

A majority of the members of the committee are outside directors. The committee is chaired by an outside director selected by resolution of the Board of Directors. Member composition is currently as follows.

Chair: Yukiko Yoshimaru (Outside Director)

Members: Shiro Wakui (Outside Director), Satoshi Tanaka (Outside Director), Toshinori Abe (Chairman and Representative Director), and Yoshihiro Nakai (President and Representative Director)

Audit & Supervisory Board

The Audit & Supervisory Board formulates audit plans, and regularly inspects offices and conducts hearings regarding risks and other issues pertaining to the assigned duties of directors and executive officers based on those audit plans.

In addition, Audit & Supervisory Board members exchange opinions and work closely with the Internal Audit Department, hold regular meetings with accounting auditors and engage in mutual cooperation to ensure that all audit activities are carried out efficiently and effectively.

Furthermore, we established the Office of Audit & Supervisory Board Members as a dedicated organization to which several employees including full-time staff are assigned to assist in Audit & Supervisory Board operations. If said employees are concurrently assigned other duties, they must not be influenced by guidance or commands from the other division to which they are concurrently assigned and, with regard to human resource matters pertaining to these employees, the opinions of auditors must be considered to ensure the independence of such employees with regard to Audit & Supervisory Board operations.

Audit & Supervisory Board Composition (As of April 24, 2020)

Audit & Supervisory Board Members (Including Outside Members)	Outside Audit & Supervisory Board Members	Age		
		Under 50	50-59	60 and above
6 (5 men, 1 woman)	4 (3 men, 1 woman)	0	0	6

Management Meeting

The objective of the Management Meeting is to contribute to appropriate decision making related to the execution of important operations through a vigorous exchange of opinions from the perspective of consistency with management policies and strategies before resolutions at the meetings of the Board of Directors or before initiating the collective decision-making system for important operations, such as investments, Group-wide management policies and formulation of management strategies and plans. Internal directors and full-time Audit & Supervisory Board members are required to attend these meetings, and outside directors and outside Audit & Supervisory Board members can also attend by request.

Risk Management Committee

As a consultative body to the Board of Directors, the Risk Management Committee creates appropriate risk management systems and provides opinions to the Board of Directors on matters relating to the maintenance of risk management systems with the aim of ensuring effective operation.

In principle, the committee meets once per month. In fiscal 2019, its goal was to identify and verify the implementation status of risk management systems in each division. To do so, the committee monitored relevant departments and took action on medium- to long-term issues including (1) compliance with labor laws; (2) compliance with construction laws; (3) business site governance; (4) security; and (5) issues at Group companies.

Officer Remuneration

The fundamental revision of officer remuneration is a key governance reform theme for Sekisui House, and the Personnel Affairs and Remuneration Committee has been discussing this issue on an ongoing basis. The 69th Ordinary General Shareholders' Meeting on April 23, 2020 implemented the following basic measures for reforming remuneration to provide sound incentives for directors

(excluding outside directors) to continuously increase corporate value over the long term and to encourage them to share even more value with shareholders. The meeting also adjusted the composition of remuneration to include fixed basic remuneration, short-term performance-related bonuses, medium-term performance-related stock remuneration, and long-term restricted stock remuneration.

Basic Remuneration Policies

- (1) To be fair to shareholders, investors, customers, employees and all other stakeholders in accordance with our fundamental corporate philosophy of love of humanity, remuneration governance shall be sophisticated to ensure objectivity, transparency and full accountability.
- (2) In order to become a leader in ESG management, we shall focus on social significance and make a clear commitment to consistently executing innovative growth strategies, and our remuneration system shall provide sound incentives for consistently increasing corporate value over the long term.
- (3) We shall emphasize the link between remuneration and the development and evaluation of the senior management team, motivate the next generation of managers to grow, and increase the organizational vitality of the Group over the long term.

Structure, Key Performance Indicators (KPIs), and Calculation Method for Remuneration of Eligible Directors

Types of Remuneration		KPI	Outline of the Calculation Methods
Fixed	Basic remuneration	—	The amount shall be determined according to the position and paid on a monthly basis. (¥43 million or less per month (including outside directors; as before))
Variable	Performance-related bonus (Short-term)	Consolidated ordinary income	The amount to be paid shall be calculated by multiplying a bonus coefficient according to the position of each Eligible Director by consolidated ordinary income for each fiscal year. The total amount to be paid shall be capped at 0.18% of consolidated ordinary income for each fiscal year. The bonuses shall not be paid if net income attributable to owners of parent for each fiscal year is less than ¥100 billion.
	Performance-related stock remuneration (Medium-term)	ROE and ESG management indicators*	The Reference Number of Share Units for each Eligible Director shall be determined according to his/her position, and after the end of the evaluation period of three consecutive fiscal years, the percentage amount of payment shall be determined according to the achievement of predetermined KPIs. The number of shares to be granted and cash for the tax payment shall be determined based on such percentage amount of payment. The fixed reference number of share units for the eligible directors shall be up to 270,000 shares per annum in total; the number of the Company's shares to be granted to the eligible directors shall be up to 135,000 shares per annum in total; and the upper limit of the sum of the monetary remuneration claims and Cash for the tax payments to be paid to the eligible directors shall be the amount calculated by multiplying the upper limit total of the fixed reference number of share units by the stock price at the time of granting.
	Restricted stock remuneration (Long-term)	—	The number of shares of the Company's common stock with a restriction on transfer for a certain period of time (from three up to 30 years) equivalent to the basic amount for each position shall be granted. The remuneration limit shall be up to ¥180 million per annum and the number of shares of the Company's common stock to be granted shall be up to 180,000 shares per annum.

* The Board of Directors makes remuneration decisions based on Personnel Affairs and Remuneration Committee deliberations of the KPIs for performance-related stock remuneration. ROE and ESG with an 80:20 weighting are the KPIs for the three-year evaluation period ending January 31, 2023.

Remuneration Governance

To ensure objective and transparent decision-making concerning the remuneration system for directors and executive officers, total remuneration paid, and remuneration paid to individual officers, as well as KPI targets for performance-related remuneration and

achievement of those targets, the Personnel Affairs and Remuneration Committee, an advisory body to the Board of Directors, deliberates these matters before resolutions are adopted by the Board of Directors, which respects the opinions of the committee.

[Summary of Revisions]

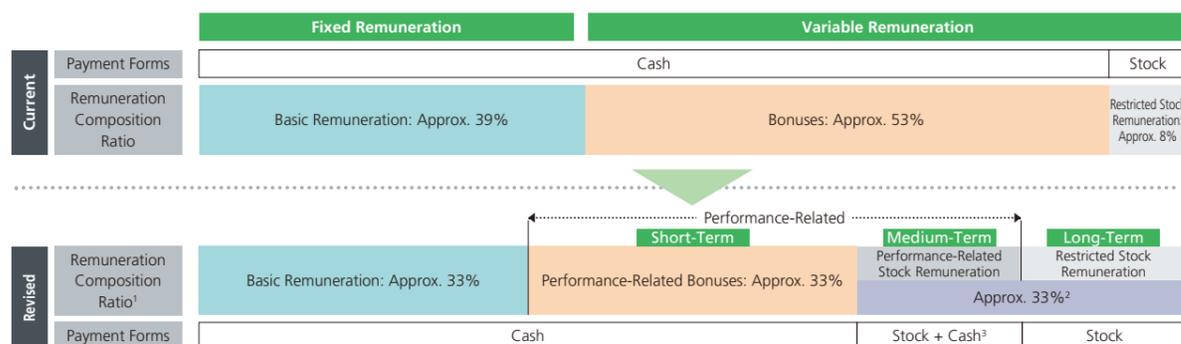
Introduction of Shareholding Guidelines

We have established shareholding guidelines for eligible directors to ensure they consistently share value with our shareholders. As a rule, during their terms of office, directors are obligated to maintain ownership of Sekisui House shares equivalent to baseline monetary values derived from market price and according to their positions. The baseline monetary value is two times annual basic remuneration for representative directors and equal to annual basic remuneration for other eligible directors.

Prescription of Stock Remuneration Return Regulation (so-called Malus and Clawback Provisions)

In this revision, we prescribed so-called malus and clawback provisions that require officers to return their stock remuneration in full or in part before vesting if certain events occur, in order to control excessive risk-taking to ensure the soundness of management.

Composition of Remuneration



- 1. The remuneration composition ratio will vary depending on the position, the Company's performance and the achievement of KPIs. The remuneration composition ratio for Representative Directors at base performance is presented.
- 2. The composition ratio of performance-related stock remuneration to restricted stock remuneration is approximately 1:1 (at the base performance).
- 3. 50% of the performance-related stock remuneration will be paid in cash for the purpose of appropriation to funds for tax payments.

Officer Remuneration for FY2019

Total Remuneration for Parent Company Officers by Category, Type of Remuneration, and Number of Eligible Officers (Millions of yen)

Officer Category	Total Remuneration	Total Remuneration by Type				Number of Eligible Directors
		Basic Remuneration	Stock Options	Restricted Stock Remuneration	Bonuses	
Directors (excluding outside directors)	953	394	11	47	500	8
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	57	57	—	—	—	2
Outside directors	157	156	0	—	—	7

Individuals Receiving ¥100 Million or More in Total Remuneration (Consolidated)

(Millions of yen)

Name	Officer Category	Company Category	Remuneration by Type				Total Remuneration
			Basic Remuneration	Stock Options	Restricted Stock Remuneration	Bonuses	
Toshinori Abe	Director	Sekisui House	72	2	11	120	205
Shiro Inagaki	Director	Sekisui House	60	2	8	87	158
Yoshihiro Nakai	Director	Sekisui House	60	1	8	87	157
Takashi Uchida	Director	Sekisui House	48	1	5	60	114

Note: At the General Meeting of Shareholders held in April 2019, a resolution was approved to introduce a restricted stock remuneration plan. Accordingly, stock options as remuneration for directors have been abolished, except for those already issued. No new stock options were granted in FY2019, but amounts presented are expenses recorded in FY2019 for stock options granted in previous fiscal years.

Compliance and Risk Management

Promoting Compliance

Sekisui House Group is committed to thorough compliance, which it sees as an ongoing management concern that needs to be addressed at all times, not only in terms of adherence to laws and regulations, but also regarding the promotion of CSR initiatives.

The Risk Management Committee, established in 2016 as a consultative body to the Board of Directors, and the Governance Committee, established in fiscal 2017 under the auspices of the CSR Committee as part of our program to promote CSR, work together to resolve compliance issues using a PDCA cycle.

The Group formulated the Sekisui House Corporate Ethics Guidelines* in October 2003 and currently applies them as a set of articles related to corporate ethics to be shared and observed by the Company, its officers and employees in promoting the corporate activities of each Group company. We are broadening the scope of application of the Sekisui House Corporate Ethics Guidelines to the entire Group and revising its content from the standpoint of changes in the social environment, evolution of our corporate activities, and Group management. In 2018, we added articles on maintaining and improving employee health. Since 2005, we also hold a Compliance with Corporate Ethics Check every October in which all executives and employees submit a Pledge of Compliance with the Corporate Ethics Guidelines. This submission is made to thoroughly enforce our policy on corporate ethics throughout the entire Group.

The entire Group will continue to work together to proactively apply our corporate ethics policy.

* The full Sekisui House Corporate Ethics Guidelines are available on our website. <https://www.sekisuihouse.co.jp/english/info/philosophy.html>

Risk Management System Enhancement

Sekisui House Group's risk management is conducted by the head office and by all departments. Initiatives are also conducted according to duties within technical department and administrative department manager meetings. As part of our structural reforms in April 2018, we set up divisions that group multiple head office departments together in order to clarify the responsibilities and authorities of directors and executive officers.

The Risk Management Committee (headed by the vice president), serves as a consultative body to the Board of Directors, collecting and verifying information on the status of implementation of risk management systems in each Sekisui House Group division, receiving reports when risk incidents occur and verifying measures to prevent recurrence in an effort to strengthen risk management.

Business Continuity Planning

The Group has established business continuity planning (BCP) to cope with major natural disasters and similar events. In February 2013, we revised traditional guidelines emphasizing recovery and formulated the disaster manual now in use for the Sales Administration Headquarters and business headquarters. The current manual stipulates consideration of the continuation of business activities. In August 2018, we concluded the Emergency Fueling Agreement to secure gasoline for our business vehicles in disaster-stricken areas.

Additionally, in the increasingly likely event of a Nankai Trough Megathrust Earthquake in the near future, enormous damage is expected in Osaka City, where our head office (Umeda Sky Building) is located. In preparation for the likelihood of business continuity challenges at our head office, we have created a manual for the establishment and operation of a disaster countermeasures office at our head office and have formulated BCP. In the event of a disaster at the head office, we will use the Tokyo office (Akasaka, Minato-ku) and the Comprehensive Housing R&D Institute (Kizugawa, Kyoto) as substitute head offices to continue business activities.

We are also focusing efforts on business continuity management (BCM) and conducting disaster response system drills at supplier companies that provide numerous components and parts necessary for the construction of houses. These drills enable us to confirm the BCM status of supplier companies while we work to upgrade to a system that enables us to quickly gather information and formulate countermeasures. We will continue to regularly conduct training and drills, as well as verifying and revising manuals.

We do business internationally, which puts our local staff and employees on international business trips at risk of natural disasters, terrorist attacks and riots. Should such an event occur, the related divisions of the head office will promptly gather information and take initial action.

Messages from an Outside Director and an Outside Audit & Supervisory Board Member



Yukiko Yoshimaru
Outside Director

Establishing Steady Growth for the Coming 30 Years toward the Next Sekisui House

"Next Sekisui House" is the name of Sekisui House's long-term global vision for the next 30 years to make home the happiest place in the world. As a member of the Board of Directors, I was involved from the start in formulating the Fifth Mid-Term Management Plan, which lays the groundwork for the long-term global vision. In an age when the outlook is unclear, it is all the more important to have a clear vision for the future and firm beliefs. As an outside director, I will support and contribute to management that realizes the happiness of all stakeholders in the era of the 100-year lifespan.

Therefore, I believe one of my roles in attending Board of Directors meetings is to further deepen and enhance the effectiveness of the governance reforms the Company has been prioritizing since 2018. Through questionnaires and interviews conducted by an independent third-party organization of experts, the evaluation of the effectiveness of the Board of Directors for

the fiscal year ended January 2020 confirmed that lively discussion at the Company's Board of Directors meetings plays a major role in determining the direction of management and in conducting effective monitoring.

In addition, a fundamental revision of the remuneration system for officers, which was approved at the General Meeting of Shareholders in April 2020, established a framework for senior management to commit to the medium-to-long-term performance of the Sekisui House Group.

We must now improve the board's effectiveness, confirming and evaluating progress at each milestone along the way. Moreover, developing the next generation of senior management is a priority issue. In addition to the Sekisui House management training program *Keiei-juku*, which has already produced many regional branch and office managers, I will support the establishment and monitor the effectiveness of mechanisms for developing the human resources who will be responsible for managing the Sekisui House Group of the future. Another issue for the future is more thoroughgoing supervision of the management of Group companies, including those in the Overseas Business. I expect not only an approach that incorporates defensive measures such as risk management, but also an approach that values bold management based on local circumstances.

Above all, I believe that open dialogue centered on speedy information disclosure will further raise stakeholder trust.



Hisako Makimura
Outside Audit & Supervisory Board Member

Our Third Phase: First Step toward Emerging Fields from 2050

Following its founding phase and growth phase, Sekisui House has entered its third phase with the 2020 launch of its Fifth Mid-Term Management Plan. Thirty years from now, in 2050, will be a time for the Company to enter emerging fields that we cannot even imagine at this point. Although changes can be predicted in the domestic market to a certain extent, global-level changes are difficult to predict. However, the next three years are an important time for providing information both inside and outside the Company about promptly responding to change, and for taking action.

The SDGs are the basic principles of the 2030 Agenda for Sustainable Development. The environment, economy and society are inseparable, and corporations are being called upon to consider what they can do to help resolve social issues both in Japan and overseas. At the request of stakeholders, institutional investors are emphasizing environmental, social and governance initiatives (ESG) and non-financial information as long-term value drivers, and an increasing number of young people and consumers are likely to take a more serious view of corporate attitudes

toward society. A high level of sensitivity to value for society will be essential, and will lead to business expansion and employee motivation. In addition to attending to my regular auditing functions, I would also like to see better alignment of the attitudes that have come to be accepted within the "corporate community" with the views of the public and consumers around the world.

Sekisui House attaches great importance to ESG management. The Company is working with a sense of urgency to improve corporate governance. Further improvement will require livelier communication and discussion, and the Company expects to take concrete action through its governance system to become a leading company in ESG management. Sekisui House's goal for its third phase is "happiness in the era of the 100-year lifespan." Expectations are highest for the Platform House Concept of health, connectedness, and learning, with the development of HED-Net, the world's first in-home early detection network for acute illnesses at home as its first step. Expectations are also high for initiatives in areas such as creating open spaces with greenery that are conducive to health for the happiness of all generations outside the home and in everyday circumstances.

Sekisui House has 276 consolidated subsidiaries. There are 27 key subsidiaries. Among them, Otori Holdings Co., Ltd., which became a consolidated subsidiary last year, and 12 overseas subsidiaries are particularly important. The number of subsidiaries outside Japan will grow with the rollout of the Overseas Business, and the amount of investment may increase significantly in the future. Organizational frameworks, collaboration with the head office, and information and communication systems are being established in order to audit subsidiaries, but Sekisui House needs to build a system that goes one step further.

Directors and Audit & Supervisory Board Members

(As of April 24, 2020)



Toshinori Abe
Chairman & Representative Director
 Apr. 1975: Joined the Company
 Apr. 2004: Executive Officer
 May 2005: Managing Officer
 Apr. 2006: Director
 May 2007: Senior Managing Officer
 Apr. 2008: President & Representative Director and COO
 Feb. 2018: Chairman & Representative Director (current position)



Shiro Inagaki
Vice Chairman & Representative Director
Management of Investor Relations Division
 Apr. 1973: Joined the Company
 Apr. 2002: Executive Officer
 Apr. 2004: Managing Officer
 Apr. 2006: Director
 Apr. 2006: Senior Managing Officer
 May 2011: Executive Vice President & Director
 Executive Vice President & Executive Officer
 Apr. 2012: CFO
 Apr. 2016: Management of Corporate Management Planning, Accounting & Finance and Auditing, in charge of IT Operation
 Feb. 2018: Vice Chairman & Representative Director (current position)
 Apr. 2018: Management of Investor Relations Division (current position)



Toshiharu Miura
Director, Senior Managing Officer,
In charge of Technology Division and Production & Procurement Division
 Apr. 1979: Joined the Company
 Apr. 2014: Executive Officer, assigned to the post of Chief Manager of Product Design & Development Department
 Apr. 2016: Managing Officer
 Apr. 2016: Assigned to the post of General Manager of Technology Headquarters and Chief Manager of Product Design & Development Department
 Feb. 2018: Assigned to the post of General Manager of Technology Headquarters
 Apr. 2018: In charge of Technology Division
 Apr. 2018: Director (current position)
 Feb. 2020: In charge of Technology Division and Production & Procurement Division (current position)
 Apr. 2020: Senior Managing Officer (current position)



Toru Ishii
Director, Senior Managing Officer,
In charge of Development Business,
Condominiums Business and International Business
 Apr. 1990: Joined the Company
 May 2012: Chief Manager of Development Department
 Apr. 2014: Executive Officer, assigned to the post of Chief Manager of Development Department
 Apr. 2016: Managing Officer
 Feb. 2019: In charge of Development business and assigned to the post of Chief Manager of International Business Department
 Feb. 2020: In charge of Development and Condominiums Business and assigned to Chief Manager of International Business Department
 Apr. 2020: Senior Managing Officer, in charge of Development Business, Condominiums Business and International Business (current position)
 Apr. 2020: Director (current position)



Yoshihiro Nakai
President & Representative Director
 Apr. 1988: Joined the Company
 Apr. 2014: Executive Officer, assigned to the post of Chief Manager of Corporate Management Planning Department
 Apr. 2016: Managing Officer
 In charge of Corporate Management Planning and Accounting & Finance
 Apr. 2016: Director
 Feb. 2018: President & Representative Director (current position)



Takashi Uchida
Executive Vice President & Representative Director
Management of Administration Division
 Apr. 1976: Joined the Company
 Apr. 2004: Executive Officer, assigned to the post of Chief Manager of Accounting Department
 Apr. 2006: Managing Officer
 Assigned to the post of Chief Manager of Accounting & Finance Department
 Apr. 2006: Director
 Feb. 2009: In charge of Administrative Control of Subsidiary & Affiliated Companies
 May 2010: Assigned to the post of General Manager of Saitama Sales Administration Headquarters
 Feb. 2012: Assigned to the post of Chief Manager of Personnel Department
 May 2012: In charge of Administrative Control of Subsidiary & Affiliated Companies
 Apr. 2014: Senior Managing Officer
 Feb. 2018: In charge of Personnel and Administrative Control of Subsidiary & Affiliated Companies
 Apr. 2018: Executive Vice President & Director
 Executive Vice President & Executive Officer
 Management of Administration Division (current position)
 Apr. 2018: Executive Vice President & Representative Director (current position)



Haruyuki Iwata
Standing Audit & Supervisory Board Member
 Apr. 1975: Joined the Company
 Apr. 2010: Executive Officer, assigned to the post of Chief Manager of Purchasing Department
 Apr. 2016: Managing Officer
 Apr. 2018: Standing Audit & Supervisory Board Member (current position)



Hisao Yamada
Standing Audit & Supervisory Board Member
 Apr. 1974: Joined the Company
 Apr. 2010: Executive Officer, assigned to the post of General Manager of CS Promoting Headquarters
 Feb. 2011: Assigned to the post of Chief Manager of CS Promoting Department (organizational changes)
 Apr. 2018: Standing Audit & Supervisory Board Member (current position)



Shiro Wakui
Director
 Jan. 1972: Established Ishikatsu Exterior Inc.
 President & Representative Director of Ishikatsu Exterior Inc.
 Jun. 2002: Executive Advisor of Ishikatsu Exterior Inc. (current position)
 Jun. 2008: Director of Sekisui Jushi Corporation (current position)
 Apr. 2010: Professor (currently Special Professor) of Tokyo City University (current position)
 Apr. 2014: Director of the Company (current position)
 Jun. 2019: Director of TOKYU LAND CORPORATION (current position)



Yukiko Yoshimaru
Director
 Apr. 1982: Joined Oki Electric Industry Co., Ltd.
 Apr. 1998: Director of Oki America Inc.
 Head of New York Office of Oki Electric Industry Co., Ltd.
 Oct. 2004: Chief Manager of Diversity Development Office of NISSAN MOTOR CO., LTD.
 Apr. 2008: Joined Nifco Inc.
 Jun. 2011: Executive Officer of Nifco Inc.
 Apr. 2018: Director of the Company (current position)
 Jun. 2019: Director of Mitsu Chemicals, Inc. (current position)



Takashi Kobayashi
Audit & Supervisory Board Member
 Apr. 1976: Appointed as a public prosecutor
 Jan. 2004: Assumed the office of chief public prosecutor, the Nara District Public Prosecutor's Office
 Dec. 2004: Assumed the office of the public prosecutor of the Supreme Public Prosecutor's Office
 Sep. 2005: Assumed the office of deputy chief public prosecutor, the Maebashi District Public Prosecutor's Office
 Jun. 2007: Assumed the office of deputy chief public prosecutor, the Osaka High Public Prosecutor's Office
 Jul. 2008: Assumed the office of the public safety director of the Supreme Public Prosecutor's Office
 Jan. 2010: Assumed the office of chief public prosecutor, the Osaka District Public Prosecutor's Office
 Feb. 2011: Registered as a lawyer
 Apr. 2017: Audit & Supervisory Board Member of the Company (current position)
 Jun. 2017: Director of the Board of Sanryo Special Steel Co., Ltd. (current position)



Hisako Makimura
Audit & Supervisory Board Member
 Apr. 1993: Professor of Nara Bunka Women's Junior College
 Apr. 1996: Professor of Nara Prefectural College of Commerce
 Apr. 2000: Professor of Kyoto Women's University
 Jun. 2011: Audit & Supervisory Board Member of the Kansai Electric Power Co., Inc.
 Apr. 2013: Visiting Scholar of the Institute of Religion and Culture of Kyoto Women's University (current position)
 Apr. 2017: Visiting Professor of Kansai University
 Apr. 2018: Audit & Supervisory Board Member of the Company (current position)
 Jun. 2019: Outside Director of the Kansai Electric Power Co., Inc. (current position)
 Oct. 2019: Visiting Scholar of the Research Center for Societal Safety Sciences, Faculty of Societal Safety Sciences of Kansai University (current position)



Toshifumi Kitazawa
Director
 Apr. 1977: Joined Tokio Marine & Fire Insurance Co., Ltd.
 Jul. 2003: Director of Tokio Marine Medical Service Co., Ltd.
 Jun. 2008: Managing Director of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.
 Jun. 2009: Senior Managing Director of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.
 Jun. 2010: President & Director of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.
 Jun. 2010: Director of Tokio Marine Holdings, Inc.
 Apr. 2014: Vice President & Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.
 Jun. 2014: Vice President Executive Officer of Tokio Marine Holdings, Inc.
 Apr. 2016: President & Chief Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd.
 Jun. 2016: Director of Tokio Marine Holdings, Inc.
 Apr. 2019: Vice Chairman & Director of Tokio Marine & Nichido Fire Insurance Co., Ltd. (current position)
 Apr. 2020: Director of the Company (current position)



Satoshi Tanaka
Director
 Apr. 1981: Joined MITSUI & CO., LTD.
 Apr. 2004: General Manager of Investor Relations Division of MITSUI & CO., LTD.
 Apr. 2007: General Manager of Corporate Planning & Strategy Division of MITSUI & CO., LTD.
 Jul. 2010: Deputy General Manager of Consumer Service Business Unit of MITSUI & CO., LTD.
 Apr. 2011: Executive Officer; General Manager of Consumer Service Business Unit of MITSUI & CO., LTD.
 Apr. 2013: Managing Officer; General Manager of Consumer Service Business Unit of MITSUI & CO., LTD.
 Apr. 2015: Senior Managing Director; President of Asia Pacific Business Unit of MITSUI & CO., LTD. and President of MITSUI & CO. (ASIA PACIFIC) PTE. LTD.
 Apr. 2017: Vice President & Executive Officer; CAO (Chief Administrative Officer); CIO (Chief Information Officer); CPO (Chief Privacy Officer) of MITSUI & CO., LTD.
 Jun. 2017: Representative Director; Vice President and Executive Officer of MITSUI & CO., LTD.
 Jun. 2019: Counselor of MITSUI & CO., LTD. (current position)
 Mar. 2020: Director of Kuraray Co., Ltd. (current position)
 Apr. 2020: Director of the Company (current position)



Ryuichi Tsuruta
Audit & Supervisory Board Member
 Oct. 2000: Manager of IR Office of Corporate Finance & IR Group of Panasonic Corporation
 Apr. 2007: General Manager of Corporate International Affairs Group of Panasonic Corporation
 Jun. 2011: Chief Manager of Office of Audit & Supervisory Board Member of Panasonic Corporation
 Nov. 2014: Advisor of Panasonic Corporation
 May 2015: Audit & Supervisory Board Member of ZUIKO CORPORATION
 Apr. 2018: Audit & Supervisory Board Member of the Company (current position)
 Jun. 2019: Special Instructor of The Graduate School of Project Design (current position)



Yoritomo Wada
Audit & Supervisory Board Member
 Apr. 1978: Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)
 Jun. 1996: Partner of Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
 Jun. 2019: Statutory Corporate Auditor of NIPPON SHOKUBAI CO., LTD. (current position)
 Apr. 2020: Audit & Supervisory Board Member of the Company (current position)



Kunpei Nishida
Director, Senior Managing Officer; General Manager of Broking and Leasing Business Headquarters
 Apr. 1976: Joined the Company
 Apr. 2012: Executive Officer, assigned to the post of General Manager of Kansai Sha Maison Sales Administration Headquarters
 Aug. 2012: Assigned to the post of General Manager of West Japan Sha Maison Sales Administration Headquarters
 Apr. 2014: Managing Officer, in charge of Sha Maison Sales (West Japan)
 Apr. 2014: Director (current position)
 Apr. 2018: Senior Managing Officer (current position)
 Assigned to the post of General Manager of West Japan Building Sales Administration Headquarters
 Feb. 2019: In charge of West Japan Building Sales Administration, assigned to the post of General Manager of Broking and Leasing Business Headquarters
 Feb. 2020: General Manager of Broking and Leasing Business Headquarters (current position)



Yosuke Horiuchi
Director, Senior Managing Officer
In charge of Investor Relations Division and Transaction Promotion Division
 Apr. 1980: Joined the Company
 Apr. 2012: Executive Officer, assigned to the post of General Manager of Tokyo Sha Maison Sales Administration Headquarters
 Apr. 2014: Managing Officer, in charge of Sha Maison Sales (East Japan)
 Apr. 2016: Director (current position)
 Dec. 2017: Assigned to the post of General Manager of Tokyo Sha Maison Sales Administration Headquarters and General Manager of Condominium Headquarters
 Apr. 2018: Senior Managing Officer (current position)
 In charge of Transaction Promotion Division, assigned to the post of General Manager of East Japan Building Sales Administration Headquarters
 Aug. 2018: In charge of Transaction Promotion Division and East Japan Building Sales Administration
 Feb. 2020: In charge of Investor Relations Division and Transaction Promotion Division (current position)