

Sekisui House, Ltd. Basic Policy on Corporate Governance

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## **Introduction**

The Sekisui House Group has established a Corporate Philosophy espousing the underpinning philosophy of “Love of Humanity”, the stance on “Truth and Trust”, the objective of “Superior Quality and Leading Technology”, and the business focus on “Comfortable Housing and Ecologically Sound Communities”.

The underlying philosophy, “Love of Humanity”, means “Doing all things in good faith and with a spirit of service which means desiring happiness for others and treating their joy as the own, with the awareness that each and every person has irreplaceable value”. On the basis of “Truth and Trust” and rooted in “Love of Humanity”, the Sekisui House Group will continue to pursue its mission of “Comfortable Housing and Ecologically Sound Communities” by offering “Superior Quality and Leading Technology”.

In order to contribute to the creation of a sustainable society, the Sekisui House Group, firmly grounded in the Corporate Philosophy, upholds as “A Sustainable Vision” the creation and offering of “the Four Values”, namely “Environmental Value” (environmental load reduction from energy, resources, chemical substances and ecosystem perspectives), “Economic Value” (offering attractive added value and social sharing of fair profits), “Social Value” (coexistence and co-prosperity, town development valuing relationships with local culture and greenery, and human resource development) and “Homeowner Value” (housing development to ensure that customers feel comfortable at any given time). In addition, the Sekisui House Group will endeavor to improve the corporate value through the practice of CSV (Creating Shared Value) which means creating value to be shared with various stakeholders by contributing to the resolution of social issues through housing.

Corporate governance is a system that is essential to sustained increases in corporate value and considered the foundation for creating value that can be shared with stakeholders. The Sekisui House Group publish and disclose the concept and frameworks of corporate governance to stakeholders and strive to continuously improve the system.

Sekisui House, Ltd. hereby sets forth and publishes the basic policy on corporate governance.

October 20, 2016

Board of Directors, Sekisui House, Ltd.

Last revised on April 23, 2020

## **Chapter 1: General Provisions**

### **1. Introduction**

In this Basic Policy, Sekisui House, Ltd. (the “Company”) sets forth the basic concept and frameworks of corporate governance, which forms the foundation for Sekisui House Group\* (the “Group”) to create value to be shared with stakeholders through the business of “Comfortable Housing and Ecologically Sound Communities” based on the underlying philosophy, “Love of Humanity”. It is disclosed here to stakeholders.

In addition to the basic concept, etc. of corporate governance, the Company seeks to publish other matters that listed companies are required to disclose in accordance with Japan’s Corporate Governance Code, an exhibit in the Securities Listing Regulations of Tokyo Stock Exchange, Inc. as provisions to be respected for listed companies through the announcement of this Basic Policy.

\* In this Basic Policy, the Sekisui House Group shall mean Sekisui House, Ltd. and its consolidated subsidiaries.

### **2. Resolutions concerning the adoption and revisions of this Basic Policy**

This Basic Policy has been adopted by resolution of the Board of Directors.

Any revision of this Basic Policy shall be subject to resolution of the Board of Directors.

### **3. Review and verification**

The Board of Directors shall continuously and regularly review and verify this Basic Policy in order to further deepen and improve corporate governance.

## **Chapter 2: Basic Concept of Corporate Governance**

### **1. Basic concept**

Corporate governance is an aggregate of corporate governance frameworks that are necessary to increase the corporate value sustainably earning the trust of shareholders, investors and other all stakeholders. In accordance with the Corporate Philosophy espousing the underpinning philosophy of “Love of Humanity” that embraces “Truth and Trust”, “Superior Quality and Leading Technology” and “Comfortable Housing and Ecologically Sound Communities”, the Group considers corporate governance as one of the major management challenges and has put in place a system that enables speedy management marked with integrity. [Principle 3.1(ii)]

## **2. Corporate Philosophy, etc.**

### (1) Corporate Philosophy and Corporate Code of Conduct

The Group has implemented the Corporate Philosophy espousing the underpinning philosophy of “Love of Humanity” and the Sekisui House Group Corporate Code of Conduct as a public promise to take actions based on the Corporate Philosophy in order to boost medium- and long-term corporate value. The Board of Directors is responsible for the determination and revision of the Corporate Philosophy and the Sekisui House Group Code of Conduct, and strives to spread awareness thereof to all officers and employees including overseas subsidiaries. [Principle 2.1, 2.2]

### (2) Corporate Ethics Guidelines

The Group has determined the Sekisui House Group Corporate Ethics Guidelines as the tangible compliance items based on the Sekisui House Group Corporate Code of Conduct. All officers and employees vow to comply to these guidelines. In order to spread awareness of these guidelines, the Group distributes a booklet (including electromagnetic means) in which the Corporate Philosophy, the Sekisui House Group Corporate Code of Conduct and the Sekisui House Group Corporate Ethics Guidelines are collected. The Group strives to grasp the status of this awareness by conducting an employee questionnaire once a year. The Board of Directors evaluates the results of the questionnaire with an emphasis on the spread of the Sekisui House Group Corporate Code of Conduct and the Sekisui House Group Corporate Ethics Guidelines, etc. [Principle 2.2, Supplementary Principle 2.2.1]

## **3. Appropriate relationships with stakeholders**

The Group places strong emphasis on dialogues with shareholders, investors, customers, consumers, building contractor partners and other business partners, employees, local communities, society and other stakeholders and aims to treat them in good faith and grow together with them. The Board of Directors and the management executives take a leadership role in fostering a corporate culture to achieve this goal. [General Principle 2]

### (1) Relationships with shareholders and investors

The Group conducts highly transparent management through proactive and fair information disclosure, as well as strives for improvements to corporate value through sound growth and stable profit returns. In addition, the Company secures substantive shareholder rights and the appropriate handling and development of systems that allow shareholders to exercise their rights and that ensure substantive equality (Chapter 3). [General Principle 1]

### (2) Relationships with customers

The Company promotes communications with customers under the customer-first policy, in order to ensure that their valuable assets have prolonged lifespans and are cherished for the long term. The Company also seeks to serve customers with sincerity and integrity so that the Company may enhance customer satisfaction. In addition, the Company aims to achieve higher levels of comfort by taking heed of security in the provision of products and services.

(3) Relationships with consumers

To foster relationships of trust as part of the efforts to create a pleasant society and comfortable lifestyles, the Company facilitates the disclosure of information remaining sensitive to the needs of society.

(4) Relationships with building contractor partners and other business partners

The Company strives to conduct transactions with building contractor partners and other business partners on a fair and equal basis, and the Company fosters amicable partnerships that promote mutual growth through delivering customer satisfaction.

(5) Relationships with employees

To ensure that the employees can fully demonstrate their competence and achieve creative growth through meaningful work, the Company respects the diverse individualities of the employees and develops the workplace environments and programs that motivate them.

(6) Relationships with local communities and society

The Company endeavors to foster local cultures and enhance living standards so that all people can enjoy their satisfying lives as human, while contributing to the preservation of the global environment. The Company strives to share fair profits with society and cooperate with and participate in local communities and society by leveraging the strengths as a homebuilder.

#### **4. Outline of corporate governance system**

(1) Company with Audit & Supervisory Board

The Company has introduced the “Company with Board of Auditors” as the form of corporate organizational structure under the Companies Act.

(2) Responsibilities of the Board of Directors

The Board of Directors shall recognize the fiduciary responsibility to shareholders. As such, with the aim of increasing corporate value over the medium- and long-term, the Board of Directors

has the responsibility to develop business policies and strategies and management plans, make decisions on important business execution, and develop systems, etc. for securing the sound management of the company such as the supervision and evaluation of business execution, internal controls and risk management systems. [General Principle 4, Principle 4.1, 4.5]

(3) Executive officer system

With the aim of ensuring flexible business execution and clarifying operational responsibilities, the Company has introduced an executive officer system.

(4) Supervision of business execution and evaluation of company performance, etc.

The Board of Directors strives to conduct objective and highly effective oversight of the execution of duties by the Directors and Executive Officers.

In addition, the Board of Directors reflects the evaluation of results of company performance, etc. in determining the appointment, dismissal and other personnel matters relating to the Directors and Executive Officers and their remuneration. To ensure the fairness and transparency of these procedures, the Personnel Affairs and Remuneration Committee that includes a majority of Independent Outside Directors as its members states its opinions on the appointment, dismissal and other personnel matters relating to the Directors and Executive Officers and their remuneration, as a consultative body to the Board of Directors. [Principle 4.3, Supplementary Principle 4.3.1]

(5) Establishment of internal control and risk management systems

The Board of Directors formulates and revises basic policies for establishing internal control systems as stipulated by the Companies Act and oversees whether they operate effectively.

In addition, the Board of Directors supervises the appropriate establishment and operation of risk management systems. To ensure the effectiveness of the above procedures, the Risk Management Committee states its opinions on the establishment of risk management systems, as a consultative body to the Board of Directors.

The Audit & Supervisory Board Members and the Audit & Supervisory Board conduct audits of the establishment and operation of internal control and risk management systems from an independent standpoint. To ensure the effectiveness of the above procedures, the Audit & Supervisory Board Members and the Audit & Supervisory Board endeavor to share information and cooperate with the Independent Outside Directors, internal audit division, accounting auditors, Audit & Supervisory Board Members of the subsidiaries and other persons. [Principle 4.3, Supplementary Principle 4.3.4]

### **Chapter 3: Securing the Rights and Equal Treatment of Shareholders**

## 1. General Meetings of Shareholders and Voting Rights

### (1) General statement

General meetings of shareholders are the highest decision-making body for basic corporate matters with the shareholders directly attending the meetings and are held and managed in such a manner that the intent of the shareholders are fully reflected.

In light of the fact that the voting right to be exercised at a general meeting of shareholders is the most fundamental right of shareholders, the Company makes sure to take appropriate measures to secure their voting rights practically. [Principle 1.1]

### (2) Dates, time and venue

The Company sets appropriate dates, time and venue for general meetings of shareholders, giving consideration to allowing the attendance of many shareholders, and discloses any associated schedules as early as possible. [Supplementary Principle 1.2.3]

### (3) Matters delegated to Board of Directors

Upon delegation of certain matters for resolution of the General Meeting of Shareholders to the Board of Directors, the Board of Directors respects the opinions of Independent Outside Directors and makes appropriate decisions from a perspective of ensuring flexible and expert management decisions. [Supplementary Principle 1.1.2]

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#### <Overview of matters delegated to Board of Directors>

- In the Articles of Incorporation, the Board of Directors is granted the right to acquire treasury stocks through a market acquisition by means of a resolution of the Board of Directors, in accordance to the Companies Act Article 165, Paragraph 2, in order to implement a flexible capital policy.
  - In the Articles of Incorporation, the Board of Directors is granted the right to issue interim dividends, usually on July 31 of each year, through a resolution of the Board of Directors, in order to provide stable profit returns to shareholders.
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### (4) Convocation notice, etc. of general meetings of shareholders

- a. To provide shareholders with sufficient time to consider the agenda, the Company sends convocation notices no later than approximately three weeks prior to a general meeting of shareholders and discloses them by electronic means. [Supplementary Principle 1.2.2]
- b. To facilitate appropriate decision-making concerning the exercise of voting rights to be made by



shareholders, the Company strives to include necessary and specific information in convocation notices (including reference matters for the exercise of voting rights). [Supplementary Principle 1.2.1]

- c. The Company prepares English translations of convocation notices and publicizes them on the webpages of the Company and Tokyo Stock Exchange, Inc. simultaneously with the dispatch and electronic announcement of convocation notices in Japanese. [Supplementary Principle 1.2.4]

- (5) Exercise of voting rights via the Internet, etc.

To encourage a broad range of shareholders to exercise their voting rights, the Company provides them with opportunities for exercising voting rights by mail and via the Internet. [Supplementary Principle 1.2.4]

- (6) Exercise of voting rights corresponding to shares registered under the names of trust banks, etc.

The Company promotes the use of the Electronic Voting Platform for the exercise of voting rights by institutional investors, etc. who hold shares registered under names of trust banks, etc. If such institutional investors, etc. express an interest in attending a general meeting of shareholders, the Company works with the trust banks, etc. who are nominees of the relevant shares to consider attendance at the general meeting of shareholders as observers. [Supplementary Principle 1.2.5]

- (7) Management of general meetings of shareholders

The Company recognizes that general meetings of shareholders are a venue for constructive dialogue with shareholders and provides sufficient explanations of outlines of the business operations, future challenges, etc. to shareholders, using easy-to-understand video materials, etc. In addition, the Company provides sufficient time for answering questions from shareholders. [Principle 1.2, Supplementary Principle 1.2.1]

- (8) Analysis of approval / disapproval of agenda

In the event that more than 10% negative votes are deemed to have been cast at a general meeting of shareholders against a proposal by the Company, the Company analyzes the reasons for the opposing votes and for why many shareholders were opposed to the agenda, and examines whether a response is necessary at a meeting of the Board of Directors held after the close of that general meeting of shareholders. [Supplementary Principle 1.1.1]

## **2. Minority shareholder rights**

The Company clearly stipulates the method of exercising minority shareholder rights in the Share

Handling Regulations and endeavors to protect shareholder rights. [Supplementary Principle 1.1.3]

### **3. Principle of equal treatment of shareholders**

The Company treats every shareholder equally according to classes and numbers of shares held by the shareholder. In addition, the Company does not provide any property benefit or other special benefits to any specific shareholders.

To secure the shareholder rights of minority shareholders and foreign shareholders practically, the Company develops systems that allow shareholders to exercise their shareholder rights, such as publication and delivery of business reports including non-financial information, preparing and disclosure of the English version of convocation notices and important materials that may influence investment decisions and other materials, and promoting constructive dialogues with shareholders, etc. [General Principle 1]

### **4. Basic policies on shareholder returns**

The Company explains the basic policies on shareholder returns to shareholders and other stakeholders by describing them in financial results reports or on other appropriate media each time a basic policy is made in a timely manner.

### **5. Capital policy that may harm shareholder interest**

With respect to a capital policy that may result in the change of control or in significant dilution, the Board of Directors and Audit & Supervisory Board Members shall, in order not to unfairly harm the interests of existing shareholders, carefully examine the necessity and rationale, follow the appropriate procedures and provide sufficient explanation to shareholders with due regard for the opinions of Independent Outside Directors and Independent Outside Audit & Supervisory Board members. [Principle 1.6]

### **6. The view on anti-takeover measures, response to any tender offer, etc.**

The Company does not seek to block third parties from acquiring the stock as a part of sound economic activities and the subsequent transfer of a controlling interest resulting from the exercise of shareholders' rights.

However, the Company believes that it is necessary to carefully examine any purchase of the stock in a bid to acquire a large interest or an offer of same in terms of the purchaser's business lines and plans, past investment operations, as well as the legitimacy of the purchase or offer, so that the Company may determine whether the purchase or offer will help increase the corporate value and contribute to the common interests of the existing shareholders and any and all impacts upon each of the stakeholders.

At this point in time, there is no plan to draw up in advance any anti-takeover measures.

In case of a tender offer, the Company shall strive to disclose appropriate information relevant to shareholders' decision making abilities, clearly explain the position and thoughts of the Board of Directors, and shall not take measures that would frustrate shareholder's rights to sell their shares in response to such tender offer. [Principle 1.5, Supplementary Principle 1.5.1]

## **Chapter 4: Corporate Governance System**

### **1. The Board of Directors and Directors**

#### (1) Roles of the Board of Directors

As described in (i) through (vii) below, to improve corporate value in the medium- and 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 supervising and evaluating the execution of duties of Directors and the Executive Officers and establishing systems, such as internal control and risk management systems, so that the soundness of management is ensured. [General Principle 4]

#### (i) Establishment of management policies, strategies and plans

- a) The Board of Directors shall recognize the fiduciary responsibility to shareholders and aim for sustainable growth. They shall determine management policies, strategies, and plans through free, active, and constructive discussions, and shall proactively and fairly disclose them.
- b) The Board of Directors shall regard the Mid-term Management Plan that is developed based on management strategies as a commitment to all shareholders, and shall make the utmost effort to realize the plan. After establishing the plan, the Board of Directors shall review it as necessary in accordance with changes in the business environment and the progress of results. If the targets that have been set out in the Mid-term Management Plan fail to be achieved, the Board of Directors shall sincerely analyze the causes of the failure and utilize the results of the analysis when establishing a new plan. [Supplementary Principle 4.1.2]

#### (ii) Decision-making on the execution of important operations

The Board of Directors shall make decisions on the execution of important operations by an active exchange of opinions from the perspective of improvement to corporate value and consistency with management policies and strategies. However, based on the understanding

that its main role is establishing management policies, strategies and plans, the Board of Directors shall continually examine matters for deliberation and shall delegate decision-making on the execution of specific operations to Directors and Executive Officers where possible. The scope of delegation shall be clearly set forth in the Board of Directors Proposal Standard and the Rules for the collective decision making system. The summary of the scope of delegation shall be as follows. [Supplementary Principle 4.1.1]

[The summary of the scope of delegation]

- Acquisition of land for sale in lots of less than 10 billion yen
- Acquisition or development of real estate for leasing of less than 10 billion yen
- Borrowing of less than 10 billion yen
- Capital investments, etc. of less than 5 billion yen

(iii) Evaluation of overseeing of the execution of operations, performance, etc.

- a) The Board of Directors shall oversee in an effective manner the status of the execution of duties of Directors, the Executive Officers and other managers.
- b) The Executive Officers shall report the status of the execution of their duties to the Board of Directors as needed and on a regular basis in accordance with requests of the Board of Directors.
- c) To ensure that basic policies for remuneration and remuneration amounts for Directors and Executive Officers are determined in a fair and objective manner by reflecting the evaluation of their performance and other factors, the Board of Directors shall make decisions on the policies and amounts with due regard for the opinions of the Personnel Affairs and Remuneration Committee after deliberations are held by the Committee, a majority of whose members shall be Outside Independent Directors.

(iv) Election and dismissal of Representative Directors and Executive Officers

To ensure that the election and dismissal of Representative Directors and Executive Officers are carried out in a fair and objective manner, the Board of Directors shall make decisions on them with due regard for the opinions of the Personnel Affairs and Remuneration Committee after deliberations are held by the Committee. [Supplementary Principle 4.3.1, 4.3.2, 4.3.3]

(v) Supervision of the succession plan for the Representative Directors, etc.

The Board of Directors supervises the succession plan for the Representative Directors, etc. [Supplementary Principle 4.1.3]

- a) The succession plan for the Representative Directors, etc. shall be formulated through

discussions among the Representative Directors. The Board of Directors holds periodic hearings about the status of the formulation of the succession plan with Representative Directors through the Personnel Affairs and Remuneration Committee and supervises the development of prospective successor etc., with due regard for the opinions based on the hearings of the Personnel Affairs and Remuneration Committee.

- b) The Board of Directors introduces and executes a mandatory retirement age of 70 for Representative Directors that encourages a generational change.

(vi) Establishment of systems, such as internal control and risk management systems, to ensure the soundness of management, etc.

The Board of Directors shall establish and revise basic policies for establishing an internal control system (a system that ensures the appropriateness of operations), and it shall strive to develop and operate in an effective manner the risk management system, including issues related to internal control associated with the compliance and financial reports, mainly by receiving reports and recommendations from the Risk Management Committee, an advisory organization. [Supplementary Principle 4.3.4]

(vii) Oversight of transactions among related parties

When transactions between the Company and Directors are carried out, excluding special cases, such as sales at regular prices, when there are only limited risks of conflict of interest, approval at the meeting of the Board of Directors shall be obtained and ex post facto reports on important facts shall be provided. Moreover, the Company shall strive to understand the status of transactions by carrying out surveys every business year in writing with each director on whether or not there are any transactions with the director and his/her close relatives. [Principle 1.7]

## (2) Directors

(i) Term of office of Directors

The term of office of the Directors shall be one year.

(ii) Composition of the Board of Directors and policies and procedures for the election of candidates for the directors

The composition of the Board of Directors and policies and procedures for the election of candidates for the Directors shall be as set forth in Attachment 1, "Composition of the Board of Directors and Policy and Procedures for Election of Directors and Executive Officers."

[Principle 4.11, Supplementary Principle 4.11.1]

Reasons for nominations of candidates for the Board of Directors shall be explained in the Notice of the General Meeting of Shareholders. [Principle 3.1 (iv)]

The Board of Directors and the Audit & Supervisory Board verify the status regarding concurrent positions of each Director is within the reasonable range, and explain the status regarding the important concurrent positions of the Directors in the Notice of the General Meeting of Shareholders. [Supplementary Principle 4.11.2]

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<Notice of the General Meeting of Shareholders>

<https://www.sekisuihouse.co.jp/english/financial/holders/meeting/index.html>

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(iii) Policies and procedures for determining remuneration for Directors

a) Remuneration for Directors shall be resolved in line with the following basic policies below at the meetings of the Board of Directors with due regard for the opinions of the Personnel Affairs and Remuneration Committee after deliberations are held by the Committee, a majority of whose members shall be Independent Directors.

〈Basic policies of remuneration〉

- i. In accordance with the Corporate Philosophy espousing the underpinning philosophy of “Love of Humanity”, the Company shall ensure the objectivity and transparency of and adequately fulfill its accountability for a remuneration system through high standards of remuneration governance, in order to be fair to all the stakeholders including shareholders, investors, customers and employees.
  - ii. Aiming to be a leading company in ESG management, the Company shall establish a remuneration system that works as a healthy incentive for a long-term and sustainable enhancement of the corporate value by focusing on social significance and clarifying its commitments to steadily executing innovative growth strategies.
  - iii. The Company shall deliver a long-term improvement in the Group-wide organizational vitality by placing an emphasis on alignment a remuneration system with development and evaluation of senior management and motivating the next generation of managerial human resources to grow.
- b) The Board of Directors shall determine the total amount and individual amount of remuneration for Directors and the key performance indicator (KPI) targets and evaluation of achievements for performance-related remuneration with due regard for the opinions of the Personnel Affairs and Remuneration Committee after deliberations are held by the Committee. [Principle 3.1.(iii)]

- c) Remuneration for Directors excluding Outside Directors (the “Eligible Directors”) shall consist of Basic remuneration, Performance-related bonuses and stock remuneration (performance-related stock remuneration and Restricted Stock remuneration). And the remuneration composition shall be adequately determined according to the roles and responsibilities of each position, and the Company shall make it work as a healthy incentive not only to achieve performance targets for a single fiscal year but also to enhance the corporate value in a long-term and sustainable way. [Principle 4.2, Supplementary Principle 4.2.1]
- i. Basic remuneration (fixed remuneration)

Basic remuneration as fixed remuneration shall be determined within the scope of resolutions of the General Meetings of Shareholders by taking into account the Company’s management situation, in addition to the importance of roles and the scope of responsibilities of each position.
  - ii. Performance-related bonuses (short-term)

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.
  - iii. Performance-related stock remuneration (medium-term)

The Reference Number of Share Units according to the position of each Eligible Director is multiplied by the percentage amount of payment (0 to 150%) according to the achievement of KPIs during the Evaluation Period of three consecutive fiscal years, and one-half of them will be delivered in the Company’s common stock and the remaining half will be delivered in Cash for the Tax Payment.
  - iv. Restricted stock remuneration (long-term)

The Company shall grant shares of the Company’s common stocks (restricted) equivalent to the predetermined basic amount to each Eligible Directors according to his/her position.
- d) Remuneration for Outside Directors shall be only Basic remuneration (Fixed remuneration) in light of the role to supervise the management of the Company from the objective and independent standpoint.

(iv) Training of Directors, etc.

Training shall be provided to Directors as needed and on a continued basis as opportunities in which they are able to obtain the necessary and effective knowledge to complete their roles and responsibilities as set forth in Attachment 2, “Policies for Training of Directors and Audit & Supervisory Board members”. Moreover, the Company shall be responsible for training participation fees and other expenses. [Principle 4.14, Supplementary Principle 4.14.1, 4.14.2]

(v) Information Gathering and Support Structure of Directors

Directors strive to collect information proactively to fulfill their roles and responsibilities by requesting the Company to provide them with necessary information, etc.

The Company provides them the requested information through the Board of Directors Office and the department in charge, employs lawyers and other outside experts, and establishes support structure for Directors. [Principle 4.13, Supplementary Principle 4.13.1, 4.13.2]

(3) Management of the meeting of the Board of Directors

In principle, the meeting of the Board of Directors shall be held each month and the yearly schedule shall be given to participants beforehand.

The Company shall strive to distribute proceeding documents in advance to facilitate constructive discussions and exchanges of opinions in the meetings of the Board of Directors. Additional documents shall also be provided in accordance with individual requests of Directors.

In principle, one of the Directors shall not act as both of the chairperson and the convener of the meetings of the Board of Directors. In managing the proceedings of the meetings of the Board of Directors, the chairperson of the meetings of the Board of Directors shall encourage free and active discussions by, for example, actively requesting Independent Outside Directors and Independent Outside Audit & Supervisory Board members, in particular, to offer their opinions. [Principle 4.12, 4.13, Supplementary Principle 4.12.1, 4.13.1]

(4) Evaluation of the Effectiveness of the Board of Directors

Each year, the Board of Directors analyzes and evaluates its effectiveness including the status of establishing support structure for Directors and Audit & Supervisory Board Members as a whole and discloses a summary of results. In addition, to utilize objective third-party’s perspective, the Board of Directors shall conduct periodical third-party’s evaluation by outside experts. [Principle 4.11, 4.13, Supplementary Principle 4.11.3]

(5) Management Meetings

Important matters shall be brought to the Management Meeting before approvals at the meeting of the Board of Directors or through the collective decision making system in order to contribute



to appropriate decision making related to the execution of important operations by an active exchange of opinions.

In addition to internal Directors, full-time Audit & Supervisory Board members, and Executive Officers related to the matter, Independent Outside Directors and Independent Outside Audit & Supervisory Board members can attend the Management Meeting if they request.

## **2. Independent Outside Directors**

### (1) Roles [Principle 4.6, 4.7]

- a) Independent Outside Directors shall actively express their opinions within the Company by using their knowledge from the perspective of improving corporate value over the medium- and long-term.
- b) As directors who are unlikely to cause a conflict of interest with the general shareholders of the Company, Independent Outside Directors shall play active roles in overseeing operations, such as those that are likely to cause the conflict of interest between the managers and the general shareholders of the Company.
- c) Independent Outside Directors shall play active roles in the oversight of the execution of operations from objective viewpoints. [Supplementary Principle 4.10.1]
- d) Independent Outside Directors shall understand the compliance and risk management systems and the situation of the management of the systems by cooperating with the Audit & Supervisory Board members, Accounting Auditors and Internal Audit Department.

### (2) Number of the Independent Outside Directors, etc.

At least three Independent Outside Directors shall be elected and the ratio of the Independent Outside Directors to the Board of Directors shall be one-third or more. [Principle 4.8]

### (3) Independence standards

Outside Directors shall meet not only the requirements for Outside Directors that are set forth in the Companies Act, but also meet the independence standards that have been set out by the Company. The independence standards are as set forth in Attachment 3. [Principle 4.9]

### (4) Cooperation with other organizations, etc.

Before holding a meeting of the Board of Directors at the date of the meeting, etc., meetings whose members mainly consist of Independent Outside Directors and Independent Outside Audit & Supervisory Board members shall be held to exchange information and opinions. In addition, a system shall be developed so that Independent Outside Directors are able to cooperate directly or

through employees, etc. with Directors, Executive Officers, Audit & Supervisory Board members, Accounting Auditors and other parties. [Supplementary Principle 4.8.1, 4.8.2, 4.13.3]

### **3. Executive Officers**

#### (1) Duties and authority of Executive Officers

- a) Sharing the execution of operations of the Company in accordance with the decisions made by the Board of Directors, Executive Officers shall exercise their authority to execute management operations in operational sectors to which they are designated as managers of the execution of operations.
- b) The Executive Officers shall be fully accountable to the Board of Directors for the execution of the operational sectors in charge to which their authority attached.
- c) The Executive Officers shall submit reports on the status of the execution of operations in charge on a regular basis or in accordance with requests of the Board of Directors or the representative directors.

#### (2) Election

The Executive Officers shall be elected by the Board of Directors, with due regard for the opinions of the Personnel Affairs and Remuneration Committee and other matters.

#### (3) Term of office

The term of office of Executive Officers shall be one year.

#### (4) Remuneration, etc.

- a) All remuneration for Executive Officers who are concurrently Directors shall be deemed as the remuneration for directors.
- b) Policies for the provision of remuneration for Executive Officers who are not concurrently Directors shall be resolved at meetings of the Board of Directors with due regard for the opinions of the Personnel Affairs and Remuneration Committee and other matters.
- c) The total and individual amount of remuneration for Executive Officers who are not concurrently Directors shall be determined after deliberations are held by the Personnel Affairs and Remuneration Committee and with due regard for the opinions of the Committee.

#### (5) Board of the Executive Officers

The Board of the Executive Officers meeting shall be held as a venue in which decisions made on the execution of operations are announced and information is shared.

#### **4. Advisory organizations**

(1) The Personnel Affairs and Remuneration Committee [Supplementary Principle 4.3.1, Principle 4.10]

(i) Significance and objective

a) The objective of the Personnel Affairs and Remuneration Committee is to ensure fairness and transparency in human resources matters, such as in the election and dismissal of Directors and Executive Officers, as to whether the election is appropriately carried out in accordance with Attachment 1, “Composition of the Board of Directors and Policy and Procedures for Election of Directors and Executive Officers.”

b) The objective of the Personnel Affairs and Remuneration Committee is to ensure the fairness and transparency in remuneration of Directors and Executive officers and other matters (meaning compensation for the execution of duties, regardless of form, such as remuneration and bonuses, and including property benefits other than cash, such as the granting of shares or share warrants), as to whether the remuneration appropriately reflect the evaluation of results and other matters and the remuneration are effective as incentives. [Principle 4.10]

(ii) Details of duties

a) The Personnel Affairs and Remuneration Committee shall hold deliberations about the items below related to human resources matters, such as the election and dismissal of Directors and Executive Officers, and shall provide its opinions to the Board of Directors.

i. Policies related to the election and dismissal of Directors and Executive Officers and changes in the policies

ii. Election of Directors

iii. Election and dismissal of Representative Directors

iv. Election and dismissal of the Executive Officers

v. Establishment, revision and abolition of the Company’s important rules related to human resources matters of Directors and Executive Officers, etc.

vi. Succession plan for the Representative Directors, etc.

vii. In addition to the items i through vi, matters that are specially assigned by the Board of Directors in relation to personnel matters of Directors and Executive Officers and other important matters

b) The Personnel Affairs and Remuneration Committee shall hold deliberations about the items below related to remuneration of Directors and Executive officers and other matters, and shall

provide its opinions to the Board of Directors.

- i. Remuneration systems of Directors and Executive Officers, policies for the provision of the remuneration, etc. and changes in policy
- ii. Proposals for the framework of remuneration for Directors
- iii. The total amount of remuneration for all Directors and Executive Officers (including the allocation of non-cash remuneration)
- iv. The amount of individual remuneration for Directors and Executive Officers (including the allocation of non-cash remuneration)
- v. Establishment, revision and abolition of the Company's important rules related to the remuneration of Directors and Executive Officers, etc.
- vi. In addition to the items i through v, matters that are specially assigned by the Board of Directors in relation to remuneration, etc. of Directors and Executive Officers
- vii. The key performance indicator (KPI) targets and evaluation of achievements for performance-related remuneration
- viii. In addition to the items i through vii, matters that are specially assigned by the Board of Directors in relation to remunerations of Directors and Executive Officers and other important matters

(iii) Constitution

The Personnel Affairs and Remuneration Committee shall comprise the Directors. Moreover, a majority of the committee members shall be Independent Outside Directors. The Chairperson of this Committee shall be elected from among the Independent Outside Directors by the resolution of the Board of Directors. [Supplementary Principle 4.10.1]

(2) Risk Management Committee [Supplementary Principle 4.3.4, Principle 4.10]

(i) Significance and objective

The objective of the Risk Management Committee is to ensure the effectiveness of the development and management of the risk management system by the Board of Directors.

(ii) Details of duties

The Risk Management Committee shall consolidate and examine the development of a risk management system, including issues related to internal control associated with the compliance and financial reports of the Group, submit reports to the Board of Directors, and provide advice and other suggestions on the development and the management of the risk management system.

(iii) Constitution

The Risk Management Committee shall comprise Directors and Executive Officers, etc., and in accordance with issues to be addressed, the committee shall increase the number of its members as needed and take other measures.

## 5. Audit & Supervisory Board members and Audit & Supervisory Board

(1) Constitution, the number, etc.

At least three Audit & Supervisory Board members shall be elected, with at least a half of them Independent Outside Audit & Supervisory Board members and the remainder Standing Audit & Supervisory Board members.

Reasons for nominations of candidates for Audit & Supervisory Board members shall be explained in the Notice of the General Meeting of Shareholders. [Principle 3.1 (iv)]

The Board of Directors and the Audit & Supervisory Board verify the status regarding concurrent positions of each Audit & Supervisory Board member is within the reasonable range, and explain the status regarding the important concurrent positions of the Audit & Supervisory Board members in the Notice of the General Meeting of Shareholders. [Supplementary Principle 4.11.2]

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<Notice of the General Meeting of Shareholders>

<https://www.sekisuihouse.co.jp/english/financial/holders/meeting/index.html>

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(2) Roles and duties of the Audit & Supervisory Board members [Principle 4.4, 4.5, Supplementary Principle 4.4.1]

Audit & Supervisory Board members shall recognize the fiduciary responsibility to shareholders and execute the following roles and tasks.

- a) Audit & Supervisory Board members shall audit the execution of overall operations, centered on compliance, by making the most of their independence.
- b) Audit & Supervisory Board members shall audit not only the execution of individual operations, but also the details and the overall situation of the management of the system (the internal control system) that ensures the appropriateness of the Group's operations.
- c) Audit & Supervisory Board members shall carry out auditing in accordance with the actual activities of the execution of operations mainly by performing onsite audits, if necessary, in cooperation with the Internal Audit Department, etc.
- d) Audit & Supervisory Board members shall participate in meetings of the Board of Directors

and proactively express their opinions from the perspective of ensuring the appropriateness of the execution of operations. In addition, among other activities, the members shall participate in important meetings other than the meetings of the Board of Directors, if necessary, and express their opinions from the same perspective as above.

- e) Audit & Supervisory Board members shall exercise the legal authority of conducting investigations (the right to request reports and to investigate operational properties, including the right to investigate subsidiaries) with respect to Directors, employees and other parties, if necessary. Moreover, if there are reasonable grounds to suspect that Directors are engaged in fraudulent activities or other similar activities, Audit & Supervisory Board members shall report to the Board of Directors without hesitation. If necessary, the members shall convene a meeting of the Board of Directors, and, further, they shall exercise their authority to correct matters, such as exercising a right to demand the suspension of illegal activities. [Principle 4.13 and Supplementary Principle 4.13.1]

(3) Independent Outside Audit & Supervisory Board members [Principle 3.1 (iv)]

(i) Independence standards

Independent Outside Audit & Supervisory Board members shall meet not only the requirements for Outside Audit & Supervisory Board members that are set forth in the Companies Act, but also meet the independence standards that have been set out by the Company (Attachment 3). [Principle 4.9]

(ii) Knowledge, experiences, etc.

Persons with reasonable knowledge, experience and other expertise related to the maintenance of the soundness of management, such as laws, accounting, corporate management, internal control and auditing operations, shall be appointed as Independent Outside Audit & Supervisory Board members. [Principle 4.11]

(4) Standing Audit & Supervisory Board members

Persons who have extensive knowledge about the Company's operations and sophisticated information collection capabilities and analysis capabilities shall be appointed as Standing Audit & Supervisory Board members. [Principle 3.1 (iv)]

(5) Audit & Supervisory Board

- a) Audit & Supervisory Board shall carry out auditing in an organized manner through Audit & Supervisory Board members, independent agents, and, to ensure the effectiveness of

audits, the Board shall determine consistent and unified audit policies based on the exchange of information among Audit & Supervisory Board members; provided, however, that the Board shall not hinder the execution of the authority of each Audit & Supervisory Board Member.

- b) Audit & Supervisory Board shall prepare audit reports and form audit opinions based on reports of each Audit & Supervisory Board Member; provided, however, that the Board shall not prevent each Audit & Supervisory Board Member from presenting the details of his/her own audit reports of the Audit & Supervisory Board Member.
- c) Audit & Supervisory Board shall appropriately exercise the right of consent over the election of Audit & Supervisory Board members from the perspective of the strengthening of the position of Audit & Supervisory Board members. [Principle 3.1 (iv)]
- d) Audit & Supervisory Board has established evaluation standards for Accounting Auditors to ensure that candidates for Outside Accounting Auditors are appropriately elected and the Outside Accounting Auditors are appropriately evaluated. In accordance with the evaluation standards as described above and internal rules, the Audit & Supervisory Board shall evaluate on a regular basis whether or not the Outside Accounting Auditors possess independence and the professional qualities that the auditors are required to possess. [Supplementary Principle 3.2.1]

(6) Operational support system, etc.

(i) Training of the Audit & Supervisory Board members

Audit & Supervisory Board members shall be provided as needed and on a continual basis with opportunities of gaining the knowledge that is necessary and essential to complete their roles and responsibilities, as described in Attachment 2, “Policies for Training of Directors and Audit & Supervisory Board members”. Moreover, the Company shall be responsible for training participation fees and other expenses. [Principle 4.13 and Supplementary Principle 4.13.1, 4.13.2]

(ii) System for assisting the Audit & Supervisory Board members

As a system for assisting in the operations of the Audit & Supervisory Board members, the Company shall set up the Office of Audit & Supervisory Members and allocate several staff members including full-time one(s).

The independence of the relevant staff members in carrying out their duties shall be ensured in such a way that the staff members who are belong to another department are kept outside line of control or orders of the department and, when handling the human resources matters of

the staff members, opinions of the Audit & Supervisory Board members are collected. [Principle 4.13]

(iii) Use of outside professionals

Audit & Supervisory Board members and Audit & Supervisory Board shall use outside professionals, such as lawyers and certified public accountants, as needed, and, in such cases, they may claim reimbursement of the expenses from the Company. [Supplementary Principle 4.13.2]

## **6. Accounting Auditors**

(1) Election of the Accounting Auditors

Audit & Supervisory Board shall determine the election proposal by evaluating whether or not the relevant parties possess independence and the professional qualities and taking into account the results of the relevant evaluation in accordance with the election standards for the Accounting Auditors and internal rules. [Supplementary Principle 3.2.1]

(2) Response to accounting audits [Principle 3.2, Supplementary Principle 3.2.2]

The Company shall take proper measures to secure that Accounting Auditors shall recognize the responsibility to shareholders and investors and conduct accurate audits to ensure the reliability of financial information, etc.

(i) Securing time for auditing

The Board of Directors and Audit & Supervisory Board members shall hold deliberations by referring to audit policies and plans that are submitted by the Accounting Auditors, and secure sufficient time for auditing by Accounting Auditors.

(ii) Securing of the access to the management executives, etc.

The Company shall regularly secure opportunities for Accounting Auditors to have access (interviews, etc.) to the management executives, etc. such as Representative Directors, General Manager of Accounting Department, General Manager of Legal Department, and General Manager of Auditing Department.

(iii) Cooperation between Accounting Auditors and other organizations

a) Audit & Supervisory Board members and the Accounting Auditors shall check each other's audit policies and the status of their accounting audits and other matters, and



exchange information through methods such as Accounting Auditors attending the meetings of the Audit & Supervisory Board members, thereby ensuring cooperation.

- b) The Internal Audit Department and the Accounting Auditors shall report to each other the status of auditing on a regular basis and share information to achieve appropriate audits.
- c) In addition to the above, the Accounting Auditors, Audit & Supervisory Board members, the Internal Audit Department and Independent Outside Directors shall fully cooperate with each other to establish a system in which effective audits are able to be carried out.

(iv) Response to the cases when misconduct is identified

If the Accounting Auditors identify misconduct and make requests for appropriate responses, or if they point out insufficiencies or problems, investigations shall be carried out and the relevant reports shall be submitted to the Board of Directors, and the Board of Directors shall take corrective measures.

## **7. Internal reporting system**

The Board of Directors shall establish an appropriate system for the internal reporting system, and shall oversee the management of the system. [Principle 2.5 and Supplementary Principle 2.5.1]

There are currently two internal reporting systems for officers and employees of the Group and of building contractor partners and other business partners who have ongoing transactions with the Group. The points of contact of the internal reporting systems have been established both internally and externally. Both guidelines and leaflets clarify that persons utilizing such system shall not receive unfair treatment. [Principle 2.5, Supplementary Principle 2.5.1]

## **Chapter 5: Information Disclosure and Dialogues with Shareholders and Investors**

### **1. Appropriate Disclosure of Company Information and Ensuring of Transparency**

#### (1) Basic Stance on Information Disclosure

The Company shall proactively and impartially disclose not only its financial information, such as financial condition and business results, but also non-financial information, including the management policy and activities related to CSR and ESG (Environment, Social and

Governance) to shareholders, investors and all other stakeholders.

The Company shall also determine a Medium-Term Management Plan to cover three years. This plan shall set targets for sales, operating income, net income, and a Return On Equity (ROE), clarify earnings plans and business strategies for each segment, and disclose progress for each fiscal year in the earnings materials.

In addition, the Company shall work proactively on dialogues with stakeholders through direct communications to ensure they are accurately understood and building proper relationships of trust and study comments received from them as reference for managerial decision-making. [General Principle 3,5 and Principle 5.2]

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<Medium-term Management Plan>

<https://www.sekisuihouse.co.jp/english/financial/plan/index.html>

<Check by fiscal years>

<http://www.sekisuihouse.co.jp/english/financial/library/yearly/index.html>

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## (2) Criteria for Information Disclosure

The Company shall disclose information in accordance with the Financial Instruments and Exchange Act, other laws and ordinances and the Timely Disclosure Rules of the stock exchanges on which the Company's securities are listed.

The Company shall also disclose information that is not subject to disclosure under the Timely Disclosure Rules as swiftly and impartially as well as easy-to-understand as possible if it corresponds to decisions, events or financial results presumed to affect investors' investment decisions or if its disclosure to stakeholders is deemed desirable in association with products, technologies, services and equivalents. [Supplementary Principle 3.1.1]

## (3) Method of Information Disclosure

The Company shall disclose information subject to timely disclosure under the Timely Disclosure Rules on TDnet. The Company shall endeavor to implement extensive and impartial information disclosure by various means including press releases, publication on its website and inclusion in materials for financial results briefings and other financial statements.

In addition, the Company shall regularly issue a sustainability report, a business report for shareholders, and an annual report (in the English language only) to communicate its management policy and the progress of business. [Principle 3.1]

Furthermore, the Company shall promptly prepare an English version of materials that include important information that may influence investment decisions. The Company shall post these

materials on its website and strive to inform overseas investors about their availability.  
[Supplementary Principle 3.1.2]

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<Sustainability Reports>

<https://www.sekisuihouse.co.jp/english/sr/index.html>

<Business Report>

<http://www.sekisuihouse.co.jp/company/financial/library/br/index.html>

<Annual Reports>

<http://www.sekisuihouse.co.jp/english/financial/library/annual/index.html>

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#### (4) Management of Insider Information

In addition to compliance with the Financial Instruments and Exchange Act and other relevant laws and ordinances, the Company shall strongly call for the prevention of insider trading in the Corporate Ethics Guidelines in order to place under full control insider information including unpublished material facts. [Supplementary Principle 5.1.2 (v)]

## 2. Constructive Dialogues with Shareholders and Investors

### (1) Structure for Dialogues

Based on an awareness that it is significant to talk with shareholders and investors, to take their opinions seriously and to incorporate them properly into management for attaining continued growth and a medium- and long-term increase in corporate value, the Company shall ensure that its Representative Directors take control and set up an organization in charge of investor relations.

Management executives including Representative Directors and the organization in charge of investor relations shall engage in day-to-day operational collaboration with each Division of the headquarters of the Company in collection of inside information, drawing up of messages for outsiders and others to step up constructive dialogues with shareholders and investors.

In dialogues with shareholders and investors, the Company shall not conduct selective disclosure of important information that may influence investment decisions, but rather strive to disclose information through means that stakeholders can access equally in accordance with the basic stance on information disclosure (Chapter 5.1(1)) established by the Board of Directors, etc. Regarding important facts not yet released to the public, the Company shall aim for equality among all shareholders, comply with internal provisions to prevent insider trading, and properly manage information. [Principle 5.1, Supplementary Principle 5.1.1, 5.1.2 (i) (ii) (v)]

## (2) Enrichment of Dialogues and Communication

Management executives including Representative Directors, the organization in charge of investor relations and others shall conduct interviews with analysts and institutional investors and hold briefings for individual investors proactively through IR activities in Japan and overseas. Also, the Company shall endeavor to enrich direct communication, apart from individual interviews, by holding earnings results briefings quarterly and management plan briefings every six months, as well as organizing factory and other facility tours. The Company shall disclose materials of earnings results briefings and management plan briefings on the Company's website. [Supplementary Principle 5.1.2 (iii)]

## (3) Feedback

Management executives including Representative Directors, the organization in charge of investor relations and others shall strive to regularly report opinions, etc. received from shareholders and investors on the occasion of individual interviews and other dialogues to the Board of Directors, exchange opinions and study them in making management decisions for attaining continued growth and a medium- and long-term increase in corporate values so that these ideas are reflected in future dialogues. [Supplementary Principle 5.1.2 (iv)]

## (4) Understanding of shareholder structure

The Company shall strive to understand the shareholder structure by grasping the status of shareholder distribution in the shareholder register on the last day of January and July of each year, handing this information to an external expert institution, and conducting investigations to uncover the true identity of shareholders listed in the register that could not be identified. [Supplementary Principle 5.1.3]

# Chapter 6: Other

## 1. Basic Stance on Capital Policies

Regarding the basic stance on capital policies, the Company shall properly grasp and evaluate financial health and capital costs, as well as determine a Return On Equity (ROE), etc. as a management indicator. The Company shall publish its basic stance on the capital policy on the Financial Results Summary and other appropriate media at a proper timing each time it is determined to make it known to shareholders and other stakeholders. [Principle 1.3, 5.2]

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In the Fifth Medium-Term Management Plan (FY2020-2022), the Company will lay the strong financial foundations for the next ten years and will strive sustainable improvement in corporate

value by making investment in growth and strengthening shareholder returns. More specifically, the Company aims for continuous dividend growth, setting a medium- and long-term target payout ratio of at least 40%, and will flexibly acquire treasury stock in a bid to improve shareholder value.

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## **2. Basic Stance on Cross-Shareholdings**

### **(1) Basic Stance on Cross-Shareholdings**

- a. The Company shall not enter into cross-shareholdings with business partners unless it judges that it will be helpful to medium- and long-term increases in the corporate value through the stable maintenance and strengthening of relationships with them.
- b. The Company shall analyze the appropriateness of cross-shareholdings at the meeting of the Board of Directors based on the minimum holdings required from a perspective of increasing capital and asset efficiency each year. At the meeting of the Board of Directors, members shall comprehensively analyze the medium- and long-term economic rationality of each individual stock based on holding objectives and risk and return. As a result, the Company shall sell any stock which is no longer meaningful to continue holding after considering the market environment. Even for stocks considered appropriate to hold, the Company may sell all or some shares after considering its capital policies and the market environment.
- c. An overview of the analysis at the meeting of the Board of Directors regarding cross-shareholding shall be disclosed as appropriate in the reports related to corporate governance.
- d. When companies holding the Company stock as cross-shareholdings express an intention to sell such shares, the Company shall not prevent the sale by, for example, insinuating a reduction in their business relationship.

### **(2) Criteria for Exercise of Voting Rights**

The Company shall make overall judgments based on reasonable criteria and exercise its voting rights on whether or not to approve each agenda item from the perspective of the medium- and long-term growth of the corporate value of the company issuing the cross-held shares and that of the Company in consideration of the issuing company's management policy.

Proposals which may lead to significant impact on shareholder interest (anti-takeover measures, business reorganization, etc.) shall be discussed at related departments and be approved or rejected after dialogues, etc. with issuing companies. [Principle 1.4, Supplementary Principle 1.4.1, 1.4.2]

### **3. Basic Stance on Operation of Corporate Pension Fund**

Through the Sekisui House Corporate Pension Fund and the Sekisui House Affiliate Corporate Pension Fund (the “Both Funds”), the Company operates the corporate pension reserves based on the following basic stance. [Principle 2.6]

- a. The Company shall systematically hire and position personnel who have the attributes required to manage corporate pensions, such as expertise and experience in accounting, finance, and human resources, in order to boost the operational expertise and its abilities as an asset owner, such as monitoring the operational institution for the Both Funds.
- b. The Company establishes a Pension Committee to confirm the health of the overall management through deliberations regarding the system and asset management policies, etc. Furthermore, the Company shall disclose information as appropriate to beneficiaries on the intranet, including overviews of meetings of the Pension Committee and notes from the meeting of representatives.
- c. The operation of Both Funds shall be delegated to multiple operation institutions both inside and outside of Japan based on the basic stance of pension asset operation. By delegating the voting rights and specific investment choices to each operational institution, the Company can prevent any conflict of interest between companies and the beneficiaries of the corporate pension. The Company shall also hire persons possessing knowledge of corporate pensions as consultants from outside institutions. These persons shall provide advice at the Pension Committee meetings regarding portfolio creation and the selection of operational institutions and funds. The Company aims to appropriately manage conflicts of interest and strengthen expertise through this process.
- d. By allowing related personnel to attend seminars related to corporate pensions held by each operational institution and the Pension Fund Association, the Company aims to improve quality and develop personnel who can be involved in the management of pension funds.

### **4. Response to Sustainability Issues Including Social and Environmental Issues**

The Group aims to create and provide the following “Four Values” as its “Sustainable Vision” as it takes a leadership role in creating a sustainable society: “Environmental Value”, “Economic Value”, “Social Value”, and “Homeowner Value”. The Group recognizes that dealing with sustainability issues is an important element of risk management. In addition, the Group analyzes opportunities in the business environment including sustainability issues, plans and implements a variety of measures.

The Board of Directors has specified that ESG (environmental, social, and governance) initiatives are important management topics to support management foundation of the Group, incorporated them in medium-term management plan to form and develop a sustainable society. The Company

publishes a “Sustainability Report” which discloses the details of its initiatives every year.  
[Principle 2.3, Supplementary Principle 2.3.1]

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<Sustainability Reports>

<https://www.sekisuihouse.co.jp/english/sr/index.html>

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## **5. Promoting Diversity and active participation by women**

The Group declares “Human Resource Sustainability” as its basic human resource policy, a concept that includes the following three pillars: “encouraging female employees to pursue career development”, “promotion a variety of work styles and work-life balance”, and “effective utilization of human resources”. The Group is promoting both diversity and active participation by women. The Group discloses the details of its initiatives in its “Sustainability Report”. [Principle 2.4]

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<Sustainability Reports “Promoting diversity and developing human resources”>

<https://www.sekisuihouse.co.jp/sustainable/diversity/index.html>

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Set forth on October 20, 2016

Revised on October 1, 2017

Revised on February 15, 2018

Revised of April 26, 2018

Revised of December 7, 2018

Revised of April 25, 2019

Revised of December 1, 2019

Revised of April 23, 2020

[Attachment 1]

Composition of the Board of Directors and Policy and  
Procedures for Election of Directors and Executive Officers

1. Composition of the Board of Directors

- a. The Board of Directors shall have the number of members that is considered appropriate to substantial deliberations.
- b. The Board of Directors shall be joined by well-balanced members, such as those familiar with the Company's business and owning knowledge and experts specializing in finance, accounting, statutory compliance and others, ensuring both the compatibility with diversity including gender and proper headcount.
- c. The Board of Directors shall have at least three Independent Outside Directors and the ratio of Independent Outside Directors to the Board of Directors shall be one-third or more.

2. Stance on and Procedures for Selection of Prospective Directors

The Company shall select prospective directors from among those of high integrity (as a sincere and high-minded morality, and earnestness) and having high management ability, having nature suited to practicing the Group's Corporate Philosophy, interested in the Group's business and with a deep insight etc.

The stance on the selection of prospective directors shall be discussed at the Personnel Affairs and Remuneration Committee, which is an advisory body to the Board of Directors, and a majority of whose members shall be Independent Outside Directors, and determined by the Board of Directors with due regard for the opinions of the Committee.

A proposal on specific prospective directors shall be discussed at the Personnel Affairs and Remuneration Committee and determined by the Board of Directors with due regard for the opinions of the Committee.

3. Policies and Procedures for Election of Candidates for Executive Officers

The policies and procedures for the election of candidates for Executive Officers shall be determined by the Board of Directors in accordance with "2. Stance on and Procedures for Selection of Prospective Directors"



[Attachment 2]

### Policies for Training of Directors and Audit & Supervisory Board Members

The Company will provide its directors and Audit & Supervisory Board members with opportunities of acquiring the knowledge necessary or helpful to the execution of their respective roles and duties as appropriate and on a continuous basis. The expenses for their participation in training and others will be borne by the Company.

(When they are newly appointed as directors and Audit & Supervisory Board members)

The Company will provide newly appointed internal directors and Audit & Supervisory Board members with an opportunity of deepening their understanding of duties, including their legal responsibility, expected from them.

In addition, it will spare sufficient time for providing external directors and Audit & Supervisory Board members explanations on the Group's business details, management strategies, business strategies, financial position and others.

(After appointment)

The Company will regularly give directors and Audit & Supervisory Board members training sessions to further supplement knowledge necessary or helpful in corporate management, such as compliance-related subjects.

For auditors, the Company will provide Audit & Supervisory Board members with opportunities to acquire knowledge that is necessary and useful in overall auditing operations, such as participation in training sessions organized by outside organizations.

[Attachment 3]

### Criteria for Independence of Outside Officers

For the purpose of ensuring the objectiveness and fairness of corporate management and corporate governance, the Company will regard those deemed to meet the Criteria for Independence of Outside Officers set out below as personnel without a risk of a conflict of interest with general shareholders and appoint outside directors and outside Audit & Supervisory Board members (hereinafter referred to as “independent outside officers”) from among such personnel.

In addition, the Company will continuously check if those appointed as independent outside officers remain in compliance with the Criteria for Independence of Outside Officers shown below.

#### <Criteria for Independence of Outside Officers>

Sekisui House, Ltd. deems a person who falls under none of the items below to be independent.

1. An executive or other member (\*1) of the Group
2. A party that treats the Group as a principal business partner (\*2) or any executive or other member thereof and any of the principal business partners of the Group (\*3) and an executive or other personnel thereof
3. A major shareholder of the Company (\*4) or an executive or other member thereof
4. A party receiving a substantial donation (\*5) from the Group, and, if the party receiving the donation is a juridical person, association or other group, a person who belongs to the group
5. A consultant, accounting specialist or legal expert gaining substantial cash or other economic benefits (\*6), apart from remuneration for officers, from the Group, and, if the party gaining the economic benefits is a juridical person, association or other group, a person who belongs to the group
6. An executive or other member of any other company who concurrently holds the position of director or Audit & Supervisory Board member with the Group
7. A person who fell under any of items 1. to 6. above in the five years prior to his or her appointment

8. A person with any close relative (\*7) who once fell under any of items 1. to 7. above
9. Notwithstanding the provisions in the preceding items, a person who is deemed to be under exceptional circumstances under which he or she may come into a conflict of interest with the Company and general shareholders

(\*1) An executive or other member

Refers to any director (excluding outside directors), Audit & Supervisory Board member (excluding outside Audit & Supervisory Board members), other executive, executive officer, or employee or equivalent.

(\*2)(\*3) A party that treats the Group as a principal business partner and a principal business partner of the Group

A party that treats the Sekisui House Group as a principal business partner refers to a business partner that may have a significant impact on business or other decision-making at the Sekisui House Group. As a rough guide, the party falls under this category if its transactions with the Sekisui House Group accounts for two percent or more of its consolidated net sales.

A principal business partner of the Sekisui House Group refers to a business partner that may have a significant impact on business or other decision-making at the Sekisui House Group. As a rough guide, the party falls under this category if the Sekisui House Group's consolidated net sales earned from it for the most recent business year account for two percent or more of the Sekisui House Group's consolidated net sales.

(\*4) A major shareholder of Sekisui House, Ltd.

Refers to a shareholder owning 10% or more of the total voting rights at Sekisui House, Ltd.

(\*5) A considerable amount of donation

Refers to any donation concerning which the estimated value of the property donated from the Sekisui House Group amounts to ten million yen or more on average in the past three business years or exceeds either the net sales or two percent of the gross income of the receiving party, whichever is the larger.

(\*6) A considerable amount of economic benefits

Refers to economic benefits from the Sekisui House Group for any individual that total ten million yen or more per year on average in the past three business years or for any group that exceed two percent of its consolidated net sales.

(\*7) A close relative

Refers to a spouse or a relative within the second degree of kinship.