

# Corporate Governance Report

Last Updated: July 21, 2020

**Sekisui House, Ltd.**

President & Representative Director: Yoshihiro Nakai

Contact: Investor Relations Division (Representative No.) +81-6-6440-3111

Securities Code: 1928

<https://www.sekisuihouse-global.com/>

The corporate governance of Sekisui House, Ltd. (the “Company”) is described below.

## **I. Basic Concept of Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information**

### **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 all other 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 Sekisui House Group (the “Group”) considers corporate governance as one of the major management priorities and has put in place a system that enables speedy management marked with integrity.

Its details are stipulated in the Sekisui House, Ltd. Basic Policy on Corporate Governance, which is posted on the Company’s website.

URL: <https://www.sekisuihouse.co.jp/english/info/gov.html>

### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

The Company is implementing all of the principles in the Corporate Governance Code.

### **[Disclosure Based on the Principles of the Corporate Governance Code]**

[Principle 1-4] Cross-shareholdings

(1) The Company shall not enter 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.

(2) 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 etc. Even for stocks considered appropriate to hold, the Company may sell all or some shares after considering its capital policies and the market environment, etc.

(3) 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, etc.

(4) 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.

<Overview of the verification on the appropriateness with regard to the maintenance of individual cross-shareholdings>

At the meeting of the Board of Directors held in September 2019, the members analyzed all listed stocks it holds as cross-shareholding (for 44 different companies excluding Sekisui House Reit, Inc. and equity-method affiliates) in terms of the status of shareholding, risk and return (deviation rate of stock price, dividend yield, ratings and others) and importance of transactions and overall significance of owning them. Based on the result of the analysis, the Company has sold all shares of the 13 companies by the end of January 2020.

[Principle 1-7] 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.

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 2-6] Fulfillment of the functions as the asset owner of corporate pensions

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.

(1) 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.

(2) 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 minutes from the meeting of representatives and overviews of meetings of the Pension Committee.

(3) 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 specific investment choices and the voting rights 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 regarding portfolio creation and the selection of operational institutions and funds and advice at the Pension Committee meetings. The Company aims to appropriately manage conflicts of interest and strengthen expertise through this process.

(4) 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.

[Principle 3-1] Full disclosure

(1) 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 3 years. This plan shall set targets for sales, operating income, net income, and a Return On Equity (ROE), etc. clarify earnings plans and business strategies for each segment, and disclose progress for each fiscal year in the earnings materials.

<Medium-term Management Plan>

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

<Check by fiscal years>

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

(2) The basic concept and policies of Corporate Governance of the Company shall be stipulated in “the Sekisui House, Ltd. Basic Policy on Corporate Governance,” which shall be posted on the Company’s website.

(3) The Company shall disclose its policies for determining remuneration for Directors etc. in the annual securities report and “the Sekisui House, Ltd. Basic Policy on Corporate Governance.” To ensure the fairness and transparency, the Personnel Affairs and Remuneration Committee, a majority of whose members are Independent Outside Directors, shall deliberate on the policies.

(4) The Company shall disclose its policies for electing the candidates for Directors and Audit & Supervisory Board Members, etc. in “the Sekisui House, Ltd. Basic Policy on Corporate Governance.” To ensure the fairness and transparency, the Personnel Affairs and Remuneration Committee, a majority of whose members are Independent Outside Directors, shall deliberate on the election of the candidates for Directors and the election and dismissal of Representative Directors and Executive Officers.

(5) Reasons for election of candidates for Directors and Audit & Supervisory Board Members shall be explained in the Notice of the General Meeting of Shareholders.

<Notice of the General Meeting of Shareholders>

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

[Supplementary Principle 4-1(1)] Roles and responsibilities of the Board

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 Director Proposal Standard and the approval regulation, and its overview shall be as follows.

- 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

[Principle 4-9] Standards for Independence of and qualification for Independent Outside Directors

Candidates for 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 Company shall disclose the standards for their independence in “the Sekisui House, Ltd. Basic Policy on Corporate Governance.”

[Supplementary Principle 4-11(1)] Prerequisites for securing effectiveness of the Board of Directors and the Audit & Supervisory Board

The composition of the Board of Directors shall be as follows.

(1) The Board of Directors shall have the number of members that is considered appropriate to substantial deliberations.

(2) 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.

(3) The Board of Directors shall have at least 3 Independent Outside Directors and the ratio of the Independent Outside Directors to the Board of Directors shall be one-third or more.

Also, 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. Policies on selecting the candidates for Directors and proposals 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.

[Supplementary Principle 4-11(2)] Prerequisites for securing effectiveness of the Board of Directors and the Audit & Supervisory Board

The status regarding the concurrent positions of the Directors and Audit & Supervisory Board Members on executives of the other listed companies shall be disclosed in the Notice of the General Meeting of Shareholders etc.

<Notice of the General Meeting of Shareholders>

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

[Supplementary Principle 4-11(3)] Analysis and 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’ perspective, the Board of Directors shall ensure that periodical third-party’s evaluation shall be conducted by outside experts.

<Summary of results of the evaluation for the fiscal year ended January 31, 2020>

(1) Evaluation method

In this fiscal year, an independent third-party evaluation company prepared questionnaire items, and distributed questionnaires to and collected them from all Directors and Audit & Supervisory Board Members. Based on the results of the questionnaires, the Company conducted interviews with nine Directors and six Audit & Supervisory Board Members. The results were evaluated, reviewed and compiled into a report by that company as a third-party organization. At the meeting of the Board of Directors held in March 2020, the content of the report was explained by the evaluation company and discussed by the members.

<Main items of the questionnaire>

“Structure and system of the Board of Directors”, “Operations and practices of the Board of Directors”, “Deliberations of the Board of Directors”, “Supervisory functions of the Board of Directors”, “Progress on challenges in the previous fiscal year”

(2) Outline of the results regarding the evaluation

It is evaluated that the Board of Directors has following strengths and is highly effective in general.

<The strengths of the Board of Directors >

• Structure and system of the Board of Directors

The Board of Directors is composed of well-balanced members, and is led by four Representative Directors, with an emphasis on effectiveness.

• Active discussion at the meeting of Board of Directors

Active discussions are taking place at the meeting of the Board of Directors through measures to enhance the system for providing information in advance through the utilization of iPad, etc.

• Deliberations regarding investment matters

Materials for deliberations are well-developed and sufficient time is available for deliberations.

• Monitoring the Board of Directors by the Audit & Supervisory Board

Monitoring of the Board of Directors by the Audit & Supervisory Board is continuously implemented including by expanding the auditing system, mainly in foreign countries.

• Ideas for medium- and long-term discussions

Sufficient time is secured for discussions aimed at enhancing corporate value in medium- and long-term by utilizing Management Meeting and other meeting bodies.

(3) Challenges to be addressed in the future

In order to further enhance its effectiveness, the Board of Directors continues to strive to strengthen its corporate governance including following challenges.

<Challenges to be addressed in the future>

• Enhancing the effectiveness of the Personnel Affairs and Remuneration Committee.

• Succession plan

• Structure for supervising subsidiaries

[Supplementary Principle 4-14(2)] Trainings for Directors and Audit & Supervisory Board Members

The Company stipulates it as its policy that the Company will provide the 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 on a continuous basis, and bear the expenses for their participating in training and others. The Company discloses such policies in “the Sekisui House, Ltd. Basic Policy on Corporate Governance.”

[Principle 5-1] Policy on constructive dialogue with shareholders

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.

Senior management 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, based on the basic policy of information disclosure established by the Board of Directors and others, 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. 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 thoroughly manage information.

## 2. Capital Structure

Foreign Shareholding Ratio	From and including 30%
----------------------------	------------------------

### [Status of Major Shareholders]

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	63,568,900	9.20
Japan Trustee Services Bank, Ltd. (Trust Account)	37,394,300	5.41
Sekisui Chemical Co., Ltd.	37,168,727	5.38
SMBC Nikko Securities Inc.	16,806,600	2.43
Sekisui House <i>Ikushikai</i>	16,347,245	2.37
Japan Trustee Services Bank, Ltd. (Trust Account 5)	13,913,600	2.01
MUFG Bank, Ltd.	13,624,515	1.97
Japan Trustee Services Bank, Ltd. (Trust Account 7)	12,929,600	1.87
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	12,310,217	1.78
The Dai-ichi Life Insurance Company, Limited	12,158,730	1.76

Controlling Shareholder (except for Parent)	-
Parent (Listed Stock Market)	None

### Supplementary Explanation

The status above is the status of major shareholders as of January 31, 2020.

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange (First Section), Nagoya Stock Exchange (First Section)
Fiscal Year-End	January
Type of Business	Construction
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	From 100 to less than 300

### 4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

-

### 5. Special Circumstances which may have Material Impact on Corporate Governance

-

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Supervision in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board Members
-------------------	--

#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	Not limited
Term of Office Stipulated in Articles of Incorporation	one year
Chairperson of the Board	Representative Director other than Chairman or President
Number of Directors	12
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Officers Designated from among Outside Directors	4

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Shiro Wakui	From another company												
Yukiko Yoshimaru	From another company												
Toshifumi Kitazawa	From another company								○				
Satoshi Tanaka	From another company								△				

\* Categories for "Relationship with the Company"

“○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past;

“●” when a close relative of the director presently falls or has recently fallen under the category; and

“▲” when a close relative of the director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive director or executive of the parent of the Company

c. Executive of a fellow subsidiary of the Company

d. Party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

- h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
- i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
- j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)
- k. Other

Outside Directors' Relationship with the Company (2)
--

Name	Designation as Independent Officer	Supplementary Explanation of Director's adequacy	Reasons for Appointment
Shiro Wakui	○	In January 1972, he established Ishikatsu Exterior, Ltd. and served as its President & Representative Director, before assuming the position of Executive Advisor of the company in June 2002. He has also served as Director of Sekisui Jushi Corporation since June 2008 and, as Professor (currently Special Professor) of Tokyo City University since April 2010 and as Outside Director of TOKYU LAND CORPORATION since June 2019. (Independent Officer)	To utilize his professional viewpoint about environmental issues and his wide knowledge as a university professor and other company's officer for strengthening the management system. The Company has elected him as an Independent Officer because he is deemed to meet the Criteria for Independence of Outside Officers set out by the Company and there is no risk of a conflict of interest with general shareholders.

Name	Designation as Independent Officer	Supplementary Explanation of Director's adequacy	Reasons for Appointment
Yukiko Yoshimaru	○	<p>She worked as Chief Manager of Diversity Development Office of NISSAN MOTOR CO., LTD. from October 2004, before joining Nifco Inc. in April 2008, serving as Executive Officer of the company from June 2011 to June 2018. She has also served as Outside Director of Mitsui Chemicals, Inc. since June 2019. (Independent Officer)</p>	<p>To utilize her valuable opinions at the meeting of the Board of Directors and others from her objective standpoint with her insight based on working experience overseas as well as her achievements and experiences as other companies' female officer, such as promoting diversity.</p> <p>The Company has elected her as an Independent Officer because she is deemed to meet the Criteria for Independence of Outside Officers set out by the Company and there is no risk of conflict of interest with general shareholders.</p>
Toshifumi Kitazawa	○	<p>He served as President &amp; Director of Tokio Marine &amp; Nichido Anshin Life Insurance Co., Ltd, President &amp; Chief Executive Officer of Tokio Marine &amp; Nichido Fire Insurance Co., Ltd, and Director of Tokio Marine Holdings, Inc. He has also served as Outside Audit &amp; Supervisory Board Member of the Company from April 2009 to April 2011 Vice Chairman &amp; Director of Tokio Marine &amp; Nichido Fire Insurance Co., Ltd since April 2019. (Independent Officer)</p>	<p>To strengthen the supervisory function of the Sekisui House Group with his deep insight based on achievement in the insurance sector as well as his abundant achievements and experiences as other companies' manager.</p> <p>The Company has elected him as an Independent Officer because he is deemed to meet the Criteria for Independence of Outside Officers set out by the Company and there is no risk of a conflict of interest with general shareholders.</p>

Name	Designation as Independent Officer	Supplementary Explanation of Director's adequacy	Reasons for Appointment
Satoshi Tanaka	○	He served as Representative Director, Vice President and Executive Officer of MITSUI&CO., LTD from June 2017 to March 2019. He has served as Counselor of MITSUI&CO., LTD since June 2019. He has also served as Outside Director of Kuraray Co., Ltd. since March 2020. (Independent Officer)	To strengthen the supervisory function of the Sekisui House Group with his deep insight based on achievement in the energy and consumer service sectors as well as his abundant achievements and experiences as other companies' manager. The Company has elected him as an Independent Officer because he is deemed to meet the Criteria for Independence of Outside Officers set out by the Company and there is no risk of a conflict of interest with general shareholders.

**[Voluntary Committees]**

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee	Established
--	-------------

Committee's Name, Composition, and Chairperson's Attributes

	Committee Equivalent to Nominating Committee	Committee Equivalent to Remuneration Committee
Committee's Name	The Personnel Affairs and Remuneration Committee	The Personnel Affairs and Remuneration Committee
Total Committee Members	5	5
Full-time Members	2	2
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside director	Outside director

Supplementary Explanation

In conformity with the Basic Policy on Corporate Governance of the Company, one of the Directors shall not act as both of the chairperson and the convener of the meetings of the Board of Directors in principle. It is also the Company's basic policy a majority of the Personnel Affairs and Remuneration Committee shall be Independent Outside Directors.

Currently, Vice Chairman Shiro Inagaki acts as the chairperson of the meetings of the Board of Directors, and President Yoshihiro Nakai acts as the convener of the meetings.

The Personnel Affairs and Remuneration Committee consists of 2 Representative Directors, Toshinori Abe and Yoshihiro Nakai, and 3 Outside Directors, Shiro Wakui, Yukiko Yoshimaru and Satoshi Tanaka, and Outside Director Yukiko Yoshiaru acts as the chairperson of the Committee.

**[Audit & Supervisory Board Members]**

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	Not limited
Number of Audit & Supervisory Board Members	6

Cooperation among Audit & Supervisory Board Members, Financial Auditor and Internal Audit Department

[Cooperation among Audit & Supervisory Board Members and Accounting Auditor]

- Audit & Supervisory Board Members hold regular meetings with the Accounting Auditor, check audit policies and the status of accounting audits and others, and exchange information, thereby ensuring cooperation.

[Cooperation between Audit & Supervisory Board Members and internal audit division]

- Audit & Supervisory Board Members cooperate closely with the internal audit division, and each Standing Audit & Supervisory Board Member conducts inspections on the Company's operations and assets, if necessary, in cooperation with the internal audit division.

- Audit & Supervisory Board Members receive audit reports from the internal audit division each time they conduct an audit. General Manager of Auditing Department regularly attends the meeting of the Audit & Supervisory Board to receive reports on relevant status.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	4

Number of Independent Officers Designated from among Outside Audit & Supervisory Board Members	4
--	---

Outside Audit & Supervisory Board Member's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Takashi Kobayashi	Attorney at law										△			
Hisako Makimura	Academic													
Ryuichi Tsuruta	From another company													
Yoritomo Wada	Certified public accountant													

\* Categories for "Relationship with the Company"

"○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"△" when the Audit & Supervisory Board Member fell under the category in the past;

"●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category; and

"▲" when a close relative of the Audit & Supervisory Board Member fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiary

c. Non-executive director or executive of the parent of the Company

d. Audit & Supervisory Board Member of the parent of the Company

e. Executive of a fellow subsidiary of the Company

f. Party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., or h.) (the Audit & Supervisory Board Member himself/herself only)

k. Executive of a corporation to which outside officers are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l. Executive of a corporation that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m. Other

Outside Audit & Supervisory Board Member's Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of Director's adequacy	Reasons for Appointment
Takashi Kobayashi	○	<p>He served as Director of the Public Security Department of the Supreme Public Prosecutors Office as a prosecutor and other positions, before serving as Chief Prosecutor of the Osaka District Public Prosecutors Office from January 2010. After that, he has been registered as an attorney in February 2011 and is acting as an attorney. Also, He has served as outside director of Sanyo Special Steel Co., Ltd from June 2017. (Independent Officer)</p>	<p>To utilize his professional knowledge and abundant experience in the field of judiciary services as a retired public prosecutor and an attorney for strengthening the audit system. The Company has elected him as an Independent Officer because he is deemed to meet the Criteria for Independence of Outside Officers set out by the Company and there is no risk of a conflict of interest with general shareholders.</p>

Name	Designation as Independent Officer	Supplementary Explanation of Director's adequacy	Reasons for Appointment
Hisako Makimura	○	<p>She served as professor at Narabunka Women's Junior College in April 1993, before serving as professor of several universities. She has served as Visiting Scholar of the Institute of Religion and Culture of Kyoto Women's University from April 2013. She served Visiting Professor of Kansai University from April 2017 and has served as Visiting Scholar of Kansai University since October 2019. She also served as Outside Board Member of the Kansai Electric Power Co., Inc. from June 2011 and has served as Outside Director of the Kansai Electric Power Co., Inc. since June 2019. (Independent Officer)</p>	<p>She has served as professors of several universities, and to utilize her wide range of knowledge about environmental study, sociology and others, and experience as an outside Audit &amp; Supervisory Board Member of another company for strengthening the audit system.</p> <p>The Company has elected her as an Independent Officer because she is deemed to meet the Criteria for Independence of Outside Officers set out by the Company and there is no risk of a conflict of interest with general shareholders.</p>

Name	Designation as Independent Officer	Supplementary Explanation of Director's adequacy	Reasons for Appointment
Ryuichi Tsuruta	○	At Panasonic Corporation, he served as Manager of the IR Office of the Corporate Finance & IR Group from October 2000, before serving as General Manager of the Corporate International Affairs Group and Chief Manager of the Office of Audit & Supervisory Board Member. He also served as Outside Audit & Supervisory Board Member of ZUIKO CORPORATION from May 2015 to May 2019. (Independent Officer)	To utilize his wide range of experience about finance, accounting, disclosure, audit and others and his experience as an outside Audit & Supervisory Board Member of another company for strengthening the audit system. The Company has elected him as an Independent Officer because he is deemed to meet the Criteria for Independence of Outside Officers set out by the Company and there is no risk of a conflict of interest with general shareholders.
Yoritomo Wada	○	He, as a certified public accountant, served as Partner of Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) from June 1996 to June 2019. He has served as Statutory Corporate Auditor of NIPPON SHOKUBAI CO., LTD. since June 2019. (Independent Officer)	To utilize his professional knowledge of finance and accounting as a certified public accountant and his knowledge and experience accumulated through engagement in outside audit & supervisory board member of other companies for strengthening the audit system. The Company has elected him as an Independent Officer because he is deemed to meet the Criteria for Independence of Outside Officers set out by the Company and there is no risk of conflict of interest with general shareholders.

**[Independent Officers]**

Number of Independent Officers	8
--------------------------------	---

Matters relating to Independent Officers
--

-
---

**[Incentives]**

Implementation of Measures to Provide Incentives to Directors
---

Other
-------

Supplementary Explanation
---------------------------

Remuneration for Directors excluding Outside 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.
---

Recipients of Share Options
-----------------------------

-
---

Supplementary Explanation
---------------------------

-
---

**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration
--

Selected directors
--------------------

Supplementary Explanation
---------------------------

The Company discloses the total amount of remuneration for the Directors and Audit & Supervisory Board Members by type in the financial statements with auditors' report, and individually discloses the total amount of consolidated remuneration for the persons with consolidated remuneration totaling 100 million yen or more for the year. For the fiscal year ended January 31, 2020, the amount of total remuneration for Toshinori Abe, Chairman & Representative Director is 205 million yen, that for Shiro Inagaki, Vice Chairman & Representative Director is 158 million yen, that for Yoshihiro Nakai, President and Representative Director is 157 million yen, and that for Takashi Uchida, Executive Vice President and Representative Director is 114 million yen.
---

Policy for Determining Remuneration Amounts or Calculation Methods Thereof	Established
--	-------------

Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof
--

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.
- 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
- 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.

**[Supporting System for Outside Directors and/or Outside Audit & Supervisory Board Members]**

- In order to facilitate constructive discussions and exchanges of opinions at the meetings of the Board of Directors, the Board of Directors Office (Legal Department) distributes or sends by post proceeding documents in advance to Outside Directors and Outside Audit & Supervisory Board Members.

- Prior to each meeting of the Board of Directors, Standing Audit & Supervisory Board Members, Outside Directors and Outside Audit & Supervisory Board Members have a preliminary discussion meeting, where the Standing Audit & Supervisory Board Members, etc. explain about the overview of the agenda of the meeting of the Board of Directors, and Standing Audit & Supervisory Board Members, Outside Directors and Outside Audit & Supervisory Board Members have discussions on the agenda.

- The Company has set up the Office of Audit & Supervisory Members, and several staff members including dedicated staff(s) assist with the duties of the Audit & Supervisory Board Members.

**[Status of Persons Who Have Retired from a Position Such as Representative Director and President]**

Retired Representative Directors and Presidents, etc. holding Advisory or Any Other Position in the Company

Name	Title/ Position	Responsibilities	Working Form and Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement from Position Such as President	Term of Office
-	-	-	-	-	-

Total Number of Retired Representative Directors and Presidents, etc. Holding Advisory or Any Other Position in the Company

0

Other Matters

None

(None of the Retired Representative Directors and Presidents, etc. has hold advisory or any other position in the Company or the subsidiaries of the Company.)

**2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

**1. Board of Directors, Outside Directors and Executive Officers**

The Board of Directors of the Company is currently managed by one Chairman & Representative Director, one Vice Chairman & Representative Director, one President & Representative Director, one Executive Vice President & Representative Director, 4 Outside Directors, and 4 other Directors, totaling 12 Directors (11 male Directors and one female Director). Outside Directors attend the meetings of the Board of Directors and present their opinions and remarks about decision-making by the Board of Directors and supervision of the execution of duties by Executive Officers and internal control divisions based on their knowledge, experience, etc. The Company has introduced an executive officer system in order to clarify the management responsibilities and expedite execution of duties.

In principle, a meeting of the Board of Directors of the Company is held once a month. In order to increase the corporate values of the Company over the medium- and long-term, the Board of Directors has the responsibility to develop business policies and strategies and management plans, to make decisions on important business execution, and to establish systems etc. for securing the sound management of the Company such as the supervision and evaluation of the duties performed by Directors and Executive Officers, internal control systems, and risk management systems. Also, in order to facilitate constructive discussions and exchanges of opinions in the meetings of the Board of Directors, one of the Directors shall not act in principle both of the chairperson and the convener of the meetings of the Board of Directors. Therefore, Vice Chairman & Representative Director of the Company (Shiro Inagaki) serves as the chairperson and President & Representative Director (Yoshihiro Nakai) serves as the convener.

## 2. Audit & Supervisory Board

The Audit & Supervisory Board consists of 6 members including 4 Outside Audit & Supervisory Board Members and 2 Internal Audit & Supervisory Board Members (5 male Members and one female Member). The Board establishes the audit plan and systematically carries out interviews with Directors, Executive Officers, heads of main branches, and Directors of subsidiaries, etc., concerning risks and issues of their respective operations, based on the audit plan. In addition, Audit & Supervisory Board Members exchange opinions and work in close coordination with the internal audit department, hold regular meetings with the Accounting Auditor and engage in mutual cooperation to ensure all audit activities are carried out efficiently and effectively. The Office of Audit & Supervisory Board Members is established as a dedicated organization to which several employees including dedicated staff(s) are allocated for assisting Audit & Supervisory Board operations.

## 3. The 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 personnel affairs of Directors and Executive Officers and their remuneration to ensure the fairness and transparency. Moreover, a majority of the Committee members shall be Outside Directors and the Chairperson of the Committee is elected from Outside Directors by the resolution of the Board of Directors. The Committee currently consists of 2 Representative Directors and 3 Outside Directors, and Outside Director (Yukiko Yoshimaru) serves as the Chairperson of the Committee.

## 4. Management Meetings

The Company has established the Management Meeting with the aim of facilitating appropriate decision-making within the execution of important business matters through the vigorous exchange of opinions from the standpoint of appropriateness with respect to management policies and strategies before approvals at the meetings of the Board of Directors or through the collective decision making system regarding vital matters including important investment conditions and the formulation of Group-wide management policies, strategies and plans.

## 5. ESG Promotion Committee

With the aim of contributing to creating a sustainable society and promoting ESG management as a leading company in ESG management, the Company has established the ESG Promotion Committee. The ESG Promotion Committee is comprised of outside experts, Inside Directors and Executive Officers, etc.

## 6. Risk Management Committee

As a consultative body to the Board of Directors, the Risk Management Committee provides opinions to the Board of Directors on matters relating to the maintenance of risk management systems with the aim of creating appropriate risk management systems and ensuring effective operating conditions. Currently the Committee is headed by the Executive Vice President & Representative Director (Takashi Uchida), and conducts operational monitoring of important divisions with respect to (1) compliance with labor laws, (2) compliance with building regulations, and (3) business office governance, (4) IT security, (5) International business, (6) group companies and other issues, and it also keeps abreast of and verifies the operational status of risk management systems in each of the divisions.

## 7. Internal Audits

Internal audits of the Company are conducted by the Auditing Department, a dedicated department for internal audits. It carries out on-site audits to look into whether the internal control and internal managements established in compliance with related laws, regulations and the rules of the Company are conducted adequately, and their effective operations are insured. It also makes recommendations on corrective actions as necessary. Results of the internal audits are reported to the Directors, Audit & Supervisory Board Members and related departments. The Auditing Department and the Accounting Auditor cooperate with each other and strive to conduct the internal audits in an effective manner.

#### 8. Accounting Auditors

The Company commissions its accounting audit to Ernst & Young ShinNihon LLC as its Accounting Auditor. Neither Ernst & Young ShinNihon LLC nor Engagement Partner who conduct the accounting audit has any relationship of special interest with the Company. Listed below are the names of the certified public accountants belonging to Ernst & Young ShinNihon LLC who executed the accounting audit of the Company for the fiscal year ended January 31, 2020 and those who assisted with their duties. (The consecutive number of years they have audited the Company is omitted because it is 7 years or shorter.)

- Names of the certified public accountants who executed the accounting audit.

Yoshio Ogawa, Shin Ichinose, and Yasuhiro Kozaki

- The number of assistants who took part in the audit duties

24 certified public accountants and 30 other staff members

#### 9. Agreement on Limitation of Outside officer's Liability

The Company has entered into the agreement with all of the outside officers that if Outside Director or Outside Audit & Supervisory Board Member causes damages to the Company by neglect of its duty, where deemed his/her conduct to be made in good faith without gross negligence, his/her liability is without fail limited to the sum of the amount provided in the items in Article 425, Section 1 of the Companies Act.

### 3. Reasons for Adoption of Current Corporate Governance System

As for the corporate organization under the Companies Act, the Company has become a company with Audit & Supervisory Board where the Audit & Supervisory Board and its members maintain a higher level of independence, and has introduced an executive officer system with the aim of ensuring flexible business operation and clarifying operational responsibilities.

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, develop systems and others for securing the sound management of the Company such as internal controls and risk management systems. The Board of Directors strives to conduct objective and highly effective oversight and evaluation of the execution of duties by the Directors and Executive Officers.

Audit & Supervisory Board carries out auditing in an organized manner through Audit & Supervisory Board Members who each conduct audits as independent agents, and, to ensure the effectiveness of audits, Audit & Supervisory Board Members exchange information among each other and the Board has determined consistent and unified audit policies.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Energize General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	Notice of the General Meeting of Shareholders is sent out approximately 3 weeks prior to the meeting.
Scheduling General Meeting of Shareholders Avoiding the Peak Day	Since the closing day of the Company is January 31, the Ordinary General Meeting of Shareholders is held in April every year, having no relevance with the peak dates on which most of other companies hold their meeting.
Allowing Electronic or Magnetic Exercise of Voting Rights	The Company allows voting rights to be exercised by electromagnetic means at a website operated by Mitsubishi UFJ Trust and Banking Corporation, the Company's shareholder register administrator.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	Since 2008, the Company has participated in an electronic voting platform operated by ICJ, Inc.
Providing Convocation Notice in English (Translated Fully or Partially)	The English translation of the Notice of the General Meeting of Shareholders is posted on the Company's website.

#### 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company has a policy on information disclosure, called "Disclosure Policy," which is disclosed on the Company's website.	
Regular Investor Briefings for Individual Investors	The Company's delegates participate in briefing sessions for individual investors organized by stock exchanges and the Securities Analysts Association of Japan.	No

	Supplementary Explanations	Explanation by Representative
Regular Investor Briefings for Analysts and Institutional Investors	<p>On the day when the Company announces the financial results, it holds a telephone conference as a financial results presentation meeting, and the overview of the financial results is presented by the Representative Directors and the managers responsible for investor relations.</p> <p>In addition, there is a management plan briefing of the Company, in principle, on the next day after announcing the yearly financial results and second quarter financial results, which is attended by the Representative Directors and the managers responsible for investor relations, for explanation and Q&amp;A sessions.</p>	Yes
Regular Investor Briefings for Overseas Investors	<p>Meetings for investors are held approximately 5times each year in Europe, North America, Asia and other regions, which is attended by the Representative Directors, the officers in charge of Accounting &amp; Finance and the managers responsible for investor relations. In addition, personnel in charge of investor relations are engaged in the activities for investor relations overseas, as appropriate.</p>	Yes
Posting of IR Materials on Website	<p>The URL of the Company's website is <a href="https://www.sekisuihouse-global.com/">https://www.sekisuihouse-global.com/</a></p> <p>Disclosure documents include Monthly Orders (quick estimates), information subject to timely disclosure, Financial Results, Financial Results Summary, Financial Fact Book, Annual Financial Statements with Auditors' Report, Quarterly Financial Results Summary, Integrated Reports and Sustainability Reports.</p>	
Establishment of Department and/or Manager in Charge of IR	<p>Name of the department: Investor Relations Department</p> <p>Name of contact person: Atsushi Yoshida, Chief Manager of Investor Relations Department</p>	

	Supplementary Explanations	Explanation by Representative
Other	In May 2020, for the first time the Company has published the Integrated Report that covers financial and non-financial information exhaustively. The Business Reports are issued twice a year, mainly for individual shareholders. They are posted on the Company's website so that they are accessible from investors other than the shareholders. The IR News Mail, a news bulletin containing press releases including information subject to timely disclosure is distributed to those who have completed registrations.	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in Internal Provisions, etc.	The Company specified detailed guidelines on the relationships with customers, employees, business partners, shareholders, local communities, government officials and others in "the Corporate Code of Conduct," "the Corporate Ethics Guidelines" and "the Sekisui House, Ltd. Basic Policy on Corporate Governance" which are the corporate ethics charter, and discloses them on its website.
Implementation of Environmental Activities, CSR Activities, etc.	With the aim of contributing to creating a sustainable society as a leading company in ESG management, in June 2020 the Company has newly established ESG Management Promotion Division and the ESG Promotion Committee comprised of outside experts, Inside Directors and Executive Officers, etc., to promote ESG management. Under the ESG Promotion Committee, three ESG committees ("Environmental Committee", "Social Improvement Committee" and "Governance Committee") take company-wide activities. The details of activities are disclosed in Integrated Reports and Sustainability Reports issued in May every year.
Formulation of Policies for Information Provision to Stakeholders	"The Sekisui House, Ltd. Basic Policy on Corporate Governance" stipulates that the Company shall proactively and impartially disclose not only its financial information, such as financial condition and business results, etc., 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.

Supplementary Explanations

Other

The Group sets “promotion of diversity and inclusion” as one of the initiatives for activities to be a leading company in ESG management and strives to establish working environments in which it hires and utilizes human resources with diverse attributes and abilities.

In 2006, the Company declared “Human Resource Sustainability” as its basic human resource policy, upholding 3 major pillars of the policy, “encouraging female employees to pursue career development,” “promoting a variety of work styles and work-life balance,” and “effective utilization of human resources”. In 2016, the Group established “Sekisui House’s Action Plan for Promotion of Active Participation by Women” based on the Act on Promotion of Women’s participation and Advancement in the Workplace and is strengthening related activities. In April 2020, the Company established "Sekisui House Group Human Rights Policy". The Company promotes the creation of a working environment with free and open communication, where every employee recognizes and makes the most of each other's diversity, values and working styles, and aim to build an organizational culture that fosters innovation. In order to achieve the above, the Group has established and is implementing specific policies and promoting system.

Encouraging Female Employees to Pursue Career Development

“Sekisui House’s Action Plan for Promotion of Active Participation by Women” (extract)

The goal: The Group promotes 260 female employees (target rate is 4.0%) to managerial posts by January 31, 2023 (fiscal year 2022).

- The Company holds “Sekisui House Women’s College,” a training program for management candidates, to develop female leaders in a systematic fashion. \* There are 229 women in management positions as of April 2020.
- The Company holds regular training session and gatherings for specific job types, ranks, and areas such as “Nationwide Women’s Sales Exchange Meeting” and “Women’s Onsite Supervision Support Program.” to give female employees a steady stream of opportunities to network and develop their careers, and serves to help female employees thrive in a wider range of job types such as promotion and training of on-site supervisor in a systematic fashion and improvement of the working environments.
- In the engineering field, the Company is focusing on developing role model specialists, such as “Chief Architect” (design), and “Chief Constructor” (on-site supervisor), who are required particularly excellent qualities and achievements, and trust from both inside and outside the Company.

	Supplementary Explanations
other	<ul style="list-style-type: none"> <li>• One Outside Director, one Outside Audit &amp; Supervisory Board Member and one Executive Officer are women, and the Company are promoting the participation of women in management with the aim of reflecting diverse opinions and values in management.</li> </ul> <p>Promoting a Variety of Work Styles and Work-life Balance</p> <ul style="list-style-type: none"> <li>• The Company annually holds “work and childrearing compatibility <i>ikiiki</i>(lively) forum” mainly targeting childrearing employees (male and female), their supervisors and external partners to promote “childrearing while working and career development,” “mindset reforms of supervisors,” “cooperation with partners,” and “familiarize internal support programs.”</li> <li>• The Company launched childcare leave system “<i>Ikumen</i> Leave” in September 2018, for male employees with children under the age of three to take at least one month off work to focus on childcare .As Leave is paid for the first month, and the system lets employees divide a month of leave up into as many as four separate portions, all of the eligible male employees have taken the leave by the due date, and the acquisition rate is continually 100%.</li> <li>• The Company provides support for early returning to work through “Nursery Seeking Concierge” and support for full-time work by subsidies for babysitter usage fees.</li> <li>• The Company introduced “Registration System for the reinstatement of retired employees” for reasons such as childrearing, nursing care, and relocation of their spouses.</li> <li>• The Company establishes various consultation points of contact, including a consultation service for balancing work and life events, a nursing care consulting service, and the “Human Frontier Counseling Office,” which allows anonymous consultation with outside experts.</li> <li>• The Company introduced “Family Friendly Day” (a system for shifting Sundays to holidays at workplaces where Tuesdays and Wednesdays are designated holidays) and “Partnership Slide” (a system that allows employees with working spouses who work on Sundays to work in shifts with their spouses by moving up, down, or shortening their working hours).</li> <li>• The Company promotes flexible working styles, such as using staggered work and half-day and hourly annual leave.</li> <li>• The Company encourages the spread of personnel evaluations focused on time-based productivity to provide fair evaluations of employees with time restrictions such as childrearing.</li> <li>• The Company promotes telework by thoroughly utilizing smart devices.</li> </ul>

	Supplementary Explanations
Other	<p>Effective Utilization of Human Resources</p> <ul style="list-style-type: none"> <li>• The Company newly established “Promotion of Employment of Persons with Disabilities Office” concerning employment of people with disabilities and promote employment of them.</li> <li>• The Company is improving the working environment through “Diversity Exchange Meeting,” in which employees with disabilities and their supervisors participate.</li> <li>• The Company promotes activities under “Career Development Challenge System,” a system for converting from regional minor career-track jobs to major career-track jobs.</li> <li>• In November 2019, the Company launched “Registration System for Personnel of Heterosexual Quasi-Marriages and Same-Sex Partners,” and in conjunction with this, also established a consultation point of contact specializing in LGBT. For the second consecutive years, the Company was awarded “Gold,” the highest ranking in “PRIDE Index 2018, 2019,” which evaluates LGBT initiatives.</li> </ul> <p>Health Management</p> <p>Based on the Recognition that health management contributes to corporate growth and sustainability, the Company has established health management policy to reduce overtime work, increase paid leave acquisition rate, and promote health. In order for employees to engage in work with vitality, it is important to hold not only physical health but also mental health of them good, therefore, the Company implements training for managers and for employees in their second or third year of employment throughout the Company to deepen their understanding of mental health. Also, the Company sets health management as one of the themes challenged by “Social Improvement Committee,” which operates underneath the “ESG Promotion Committee” comprised of outside experts, Inside Directors and Executive Officers, etc., and is working to improve health through activities such as “exercises,” “utilization of the results of health examinations,” “improvement of lifestyle habits,” and “separation of smoking areas and non-smoking promotion.”</p>

## IV. Matters Related to Internal Control System

### 1. Basic Views on Internal Control System and Progress of System Development

Based on the Companies Act and the Regulation for Enforcement of the Companies Act, the Company developed and manages internal control systems, with internal control system basic policies for establishing internal control systems deliberated by the Board of Directors, as follows:

<Basic policies for establishing internal control systems> (Revised on July 20, 2020)

1. System which ensures that execution of duties by the Directors and Executive Officers complies with laws and regulations and the Articles of Incorporation of the Company

- (1) In the light of achieving the Corporate Philosophy of the Company and materializing corporate management on the basis of the compliance with laws and regulations and the Articles of Incorporation, the Company sets forth the Corporate Code of Conduct and the Corporate Ethics Guidelines of Sekisui House Group.
- (2) The Company will provide regular training and make thorough efforts to ensure that Directors and Executive Officers comply with laws and regulations, the Articles of Incorporation and other corporate ethics.
- (3) Audit & Supervisory Board Members shall audit the execution of duties by Directors and Executive Officers in accordance with laws and regulations, and the internal rules of the Company.
- (4) The Board of Directors will supervise the execution of duties by Directors and Executive Officers, and ensure the fairness and transparency of decisions with regard to personnel and compensation matters such as appointments and dismissals, respecting the results of deliberations by the Personnel Affairs and Remuneration Committee, the majority of whose members comprises Outside Officers.
- (5) The Board of Directors establishes ESG Promotion Committee in which outside experts participate and promotes ESG management with the aim of contributing to creating a sustainable society.

2. System under which information regarding execution of duties by the Directors and Executive Officers shall be maintained and controlled

Directors and Executive Officers shall duly maintain and control the following documents (including electronic records; the same applicable hereinafter) relating to the execution of duties upon condition that Directors and Audit & Supervisory Board Members may inspect the same whenever necessary.

- a. Minutes of the general meeting of shareholders, the Board of Directors' meetings, Management Meetings, and other important meetings;
- b. Important documents by which Directors and Executive Officers decided the execution of duties (approval documents etc.); and
- c. Other important documents relating to execution of duties by Directors and Executive Officers.

3. System regarding control of risk for loss of the Company and its subsidiaries

- (1) The Board of Directors oversees the establishment and operation of risk management systems at the Company and its subsidiaries through the Risk Management Committee established as a consultative body to the Board of Directors.
- (2) The Company shall prepare response manuals and make them known to officers and employees with regard to the risk control system to deal with natural calamity or any emergency which may cause the Company incurred material loss and damage.
- (3) The Board of Directors protects and manages information asset safely. With the aim of responding to the trust of customers and all other stakeholders of the Group, the Board of Directors establishes information security policy and proper system to manage information asset.

4. System to ensure the efficient execution of duties by the Directors of the Company or its subsidiaries
  - (1) Based on the understanding that its main role is establishing management policies, strategies and plans, the Board of Directors shall delegate decision-making on the execution of specific operations to Directors and Executive Officers where possible.
  - (2) Important matters shall be brought to the Management Meeting for appropriate decision-making based on active discussions before approvals at the meetings of the Board of Directors of the Company or its subsidiaries or through the collective decision making system.
  - (3) Rules will be established and implemented for approvals through the collective decision making system that maintain effective screenings and swift decision-making functions.
  - (4) Set forth internal regulations for assignment of duties and thereby define duties and responsibilities.
5. System to ensure that execution of duties by employees of the Company or by Directors etc. of its subsidiaries complies with laws and regulations and the Articles of Incorporation of the Company
  - (1) The Company will make efforts to have employees of the Company or by Directors etc. of its subsidiaries understand and observe the Corporate Philosophy, the Corporate Conduct Guidelines and the Corporate Ethics Guidelines of Sekisui House Group by distributing booklets that contain these therein.
  - (2) The Company will provide them with regular training to ensure complete compliance with laws and regulations, the Articles of Incorporation and other corporate ethics.
  - (3) Internal Audit Departments of the Company and its subsidiaries shall regularly audit the operations of the Company and its subsidiaries.
  - (4) Establish internal reporting systems internally and externally for officers and employees of the Company and its subsidiaries and of building contractor partners and other business partners who have ongoing transactions with the Group.
6. System under which information regarding execution of duties by the Directors etc. of the subsidiaries shall be reported to the Company
  - (1) Department for Administrative Control of Subsidiary & Affiliated Companies will require subsidiaries to report on management status and the execution of important duties. In addition, departments specialized in subsidiaries controls will request reports as needed from subsidiaries regarding matters they are in charge of.
  - (2) Subsidiaries shall report information regarding management status and execution of important duties, through the Directors or Audit & Supervisory Board members dispatched from the Company.
  - (3) Subsidiaries shall report to the Company immediately in an emergency.
7. Matters related to employees who assist duties of Audit & Supervisory Board members and matters related to the independence of these employees from Directors
  - (1) The Company shall set up the Office of Audit & Supervisory Board Members to support the duties of Audit & Supervisory Board Members and allocate several staff members including full-time one(s).
  - (2) Selection of employees etc. for Office of Audit & Supervisory Board Members shall be determined upon respecting intention of Audit & Supervisory Board Members and mutual consultation.
  - (3) Employees assigned concurrently to the Office of Audit & Supervisory Board Members shall maintain independence to ensure they are kept outside line of control or orders of their department in terms of their duties at the Office of Audit & Supervisory Board Members and personnel treatment of these employees shall respect the opinions of Audit & Supervisory Board members.
8. System under which Directors and employees report to Audit & Supervisory Board Members
  - (1) The Directors and the Executive Officers shall from time to time report the status of execution of duties at the meeting of the Board of Directors and other important meeting which the Audit & Supervisory Board Members attend.

- (2) The Directors, the Executive Officers and the employees shall immediately report to the Audit & Supervisory Board Members whenever finding any fact which might cause material loss and damage to the Company or its subsidiaries.
- (3) The secretariat of the internal reporting system shall immediately report to the Audit & Supervisory Board Members of the Company whenever receiving any report of the fact which might cause material loss and damage to the Company or its subsidiaries.
- (4) Persons who report according to the two preceding paragraphs are not treated disadvantageously due to such report by the Company and its subsidiaries.
- (5) Documents by which approval was made, minutes of important meeting such as the Board of Directors, audit report prepared by the Internal Audit Department, and other important documents related to audit of Audit & Supervisory Board Members shall be forwarded to Audit & Supervisory Board Members.

9. Matters concerning policies for procedure for the expenses or liabilities incurred for the execution of duties by the Audit & Supervisory Board Members

The Company shall handle promptly when Audit & Supervisory Board Members demand prepayment or reimbursement of the expenses or liabilities incurred for the execution of duties excluding when the expenses or liabilities are not necessary for the execution of duties.

10. Other system under which audit by Audit & Supervisory Board Members is ensured to efficiently to be performed

- (1) Audit & Supervisory Board Members and the Internal Audit Department shall keep close contact through exchange of opinions and cooperate with each other so that audit by each party shall be conducted efficiently and effectively.
- (2) Audit & Supervisory Board Members and Accounting Auditors shall have meetings regularly and cooperate with each other so that audit duties of each shall be conducted efficiently and effectively.

<Outline of the status of the implementation> (FY2019 (2019/2-2020/1))

1. Compliance and risk management

- (1) The Company exerts to have directors and employees of the Company and its subsidiaries understand and observe the Corporate Philosophy, the Conduct Code, the Corporate Conduct Guidelines and the Corporate Ethics Guidelines of Sekisui House Group by distributing booklets (including electromagnetic means) on which the codes written.
- (2) The Company holds regular training sessions for risk management and compliance which directors and employees of the Company and its subsidiaries take.
- (3) The Risk Management Committee discusses important issues along with understanding and verifying the development of risk management systems by each division. During the fiscal year ended January 2020, meetings of the Risk Management Committee were convened 11 times and the details of these meetings were reported to the Board of Directors.
- (4) As the internal reporting system for whistleblowers to report to internal or external help lines, the Company has set up Sekisui House Group Company Ethics Helpline and Sekisui House Group Business Partners Company Ethics Helpline.

2. Ensuring efficiency in the execution of duties

- (1) With the aim of ensuring flexible business execution and clarifying operational responsibilities, the Company has introduced an Executive Officer system.
- (2) Meetings of the Board of Directors are convened monthly in principle, and meetings were held 12 times during the fiscal year ended January 2020.
- (3) Important matters are brought to the Management Meeting for appropriate decision-making based on

active discussions before approvals at the meetings of the Board of Directors or through the collective decision making system. During the fiscal year ended January 2020, the Management Meeting was held 10 times.

3. Initiatives to ensure the due execution of duties in the Group

- (1) The Department for Administrative Control of Subsidiary & Affiliated Companies requires irregular or regular reporting of the status of the business execution of each subsidiary and develops operational and other standards.
- (2) Each department of the Company guides and supervises the subsidiaries, and the Company dispatches directors or Audit & Supervisory Board Members to supervise and audit the execution of duties of some subsidiaries.

4. Conducting audits by Audit & Supervisory Board Members

- (1) Audit & Supervisory Board establishes the audit plan and systematically carries out interviews with Directors, Executive Officers, heads of main branches, and Directors of subsidiaries, etc., concerning risks and issues of their respective operations, based on the audit plan. Also, it conducts field audits of each branch as needed.
- (2) The Audit & Supervisory Board Members keep close contact with the Internal Audit Department through exchange of opinions and meet Accounting Auditors regularly, and these 3 parties cooperate with each other so that audit by each party shall be conducted efficiently and effectively.
- (3) As a system for assisting Audit & Supervisory Board Members in their duties, the Company has established the Office of Audit & Supervisory Board Members and allocate several staff members including full-time one(s), and they do the necessary for Audit & Supervisory Board Members to execute duties as management of the Meeting of Audit & Supervisory Board Members and demands of audit report, etc.

**2. Basic Concepts on Eliminating Anti-Social Forces and Progress of Related Efforts**

- (1) The Corporate Code of Conduct of the Company stipulates the basic policy as “The Group shall firmly confront antisocial forces and organizations that pose a threat to the order and safety of civil society.”
- (2) The Corporate Ethics Guidelines specifically stipulate “sever any and all ties with antisocial forces” and efforts are made to ensure compliance by officers and employees.

## V. Other

### 1. Adoption of Anti-Takeover Measures

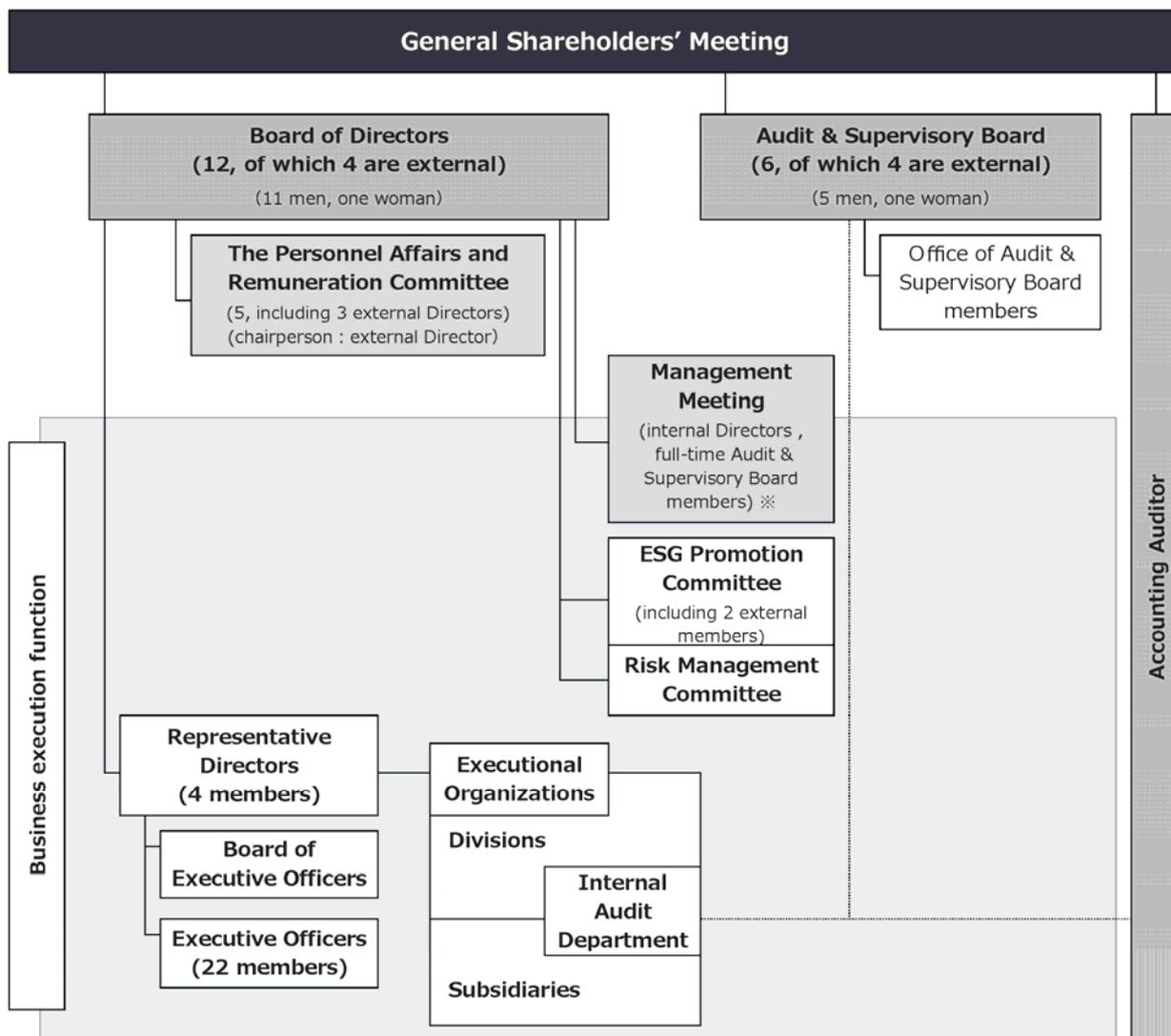
Adoption of Anti-Takeover Measures	Not adopted
------------------------------------	-------------

Supplementary Explanation

The Company has not implemented any anti-takeover measures.

### 2. Other Matters Concerning Corporate Governance System

None



Notes:

"※" Independent Outside Directors and Independent Outside Audit & Supervisory Board members can attend the Management Meeting if they request.

