

Notice Regarding Opinions of the Board of Directors on Shareholder's Proposal

March 5, 2020 — As announced in the "Notice Regarding Receipt of Shareholder's Proposal" dated February 17, 2020, Sekisui House, Ltd. (hereinafter referred to as the "Company") has received a shareholder's proposal concerning agenda (the election of 11 directors) on the 69th Ordinary General Meeting of Shareholders scheduled to be held in April 2020 (hereinafter referred to as "Shareholder's Proposal").

The Company announces that it has resolved to oppose this Shareholder's Proposal at the meeting of the Board of Directors of the Company (hereinafter referred to as the "Board of Directors") held today as Appendix1.

Please refer to Appendix 2 about candidates of Shareholder's Proposal.

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Appendix1 Company's Opinion against Shareholder's Proposal

1. Opinion of the Company

The Board of Directors opposes Shareholder's Proposal.

All of the members of Personnel Affairs and Remuneration Committee, in which the Independent Outside Directors and Independent Outside Audit & Supervisory Board Members comprise more than half of the members, have unanimously voted against all 11 candidates of the Shareholder's Proposal in the deliberation.

2. Reasons for Company's opposition

(1) The Company's proposal is the best option from the perspective of improving the corporate value of the Company and the common interests of shareholders.

At the 69th Ordinary General Meeting of Shareholders to be held on April 23, 2020 (hereinafter referred to as the "69th Meeting"), the Company plans to submit a proposal for the election of 12 candidates for the Board of Directors (of which 4 persons are candidates for independent Outside Directors) as stated in the attachment of the end. The Company believes that the appointment of 12 candidates of the Company's proposal for the position of Directors is exactly the best option from the perspective of improving the corporate value of the Company and the common interests of shareholders.

As a result of promoting "Building the foundations for the residential-related businesses BEYOND 2020" of the basic policies of the Fourth Mid-Term Management Plan (2017-2019) under the management policy "Deployment of growth strategies focused on the residential business domain," **the Company achieved record-high results in the fiscal year ended January 31, 2020 of the last year of the Fourth Mid-Term Management Plan with net sales of 2,415,186 million yen and operating income of 205,256 million yen.**

Also, the Company has specially positioned 2018 as "First Year of Governance Reforms" and implemented the following measures, including **transparency and invigoration of the meeting of the Board of Directors' operations (separating the chairperson and the convener of the meetings of the Board of Directors):**

- **Introduction of a mandatory retirement age of 70 for Representative Directors**
- **Clarification of departments under the control of Directors**
- **Establishment of the Management Meeting for the vitalizations of discussions**
- **Evaluation of the efficacy of the Board of Directors**

The Company has also reviewed the structure of the Board of Directors etc., and has been working to ensure that the Board of Directors consists of personnel thoroughly familiar with the Company's operations and with knowledge about the Company's business, and personnel with knowledge and expertise in finance, accounting and compliance with law etc., in a manner that combines diversity including gender with an appropriate number of persons. The Company has received approval from shareholders at the 67th Ordinary General Meeting of Shareholders held in April 2018 for **newly appointment of an female Outside Director (Ms.Yukiko Yoshimaru) and an female Outside Audit & Supervisory Board members (Ms.Hisako Makimura)**, and struck a balance between collective knowledge, experience and skill of the Board of Directors, and the diversity.

In addition, in 2019, as part of strengthening governance at the business management level, the Company

strived to ensure the independence of the general affairs supervisors of each business entity, strengthen the checks-and-balances function (reviewing the affiliation of the general affairs supervisor and personnel assessment processes), and improve the integrity (sincerity, having strong moral principles, being earnest) of Branch Chief managers (starting the training and selection programs for the next Branch Chief managers).

To reform the top management level, the Company has abolished the bonus system for Outside Directors and began reviewing the remuneration of Internal Directors with the aim of promoting greater value sharing with shareholders. The Company has received approval from shareholders at the 68th Ordinary General Meeting of Shareholders held in April 2019, for introducing Restricted Stock remuneration plan for Internal Directors. In addition, at the 69th Meeting, the Company plans to submit a proposal to increase the number of Outside Directors adding another Outside Director to raise the proportion of Outside Directors up to one-third of the Board of Directors.

<Progress of Governance Reforms from 2018>

year	month	Top management level	Business management level
2018	2	<ul style="list-style-type: none"> • Transparency and invigoration of the meeting of the Board of Directors' operations (Separation of chairperson and convener of the Board of Directors) 	
	3	<ul style="list-style-type: none"> • Introduced retirement age of 70 for Representative Director • Evaluation of efficacy of the Board of Director • Clarification of departments under the control of Directors <structural reforms in April> 	
	4	<ul style="list-style-type: none"> • Appointment of female Outside Officers 	Head Office Structural Reforms [Initiatives to prevent recurrence] <ul style="list-style-type: none"> • Sharing of risk information at management division meetings • Reform of application decision-making system of the real estate (Clarification of the department in charge of examination etc., and introduction of an electronic decision-making system) • Measures for PDCA Cycles in Risk Management Committee
	11		<ul style="list-style-type: none"> • Strengthening the checks and balances of the General Affairs Manager of Sales Administration Headquarters and the General Affairs Manager of Branch
2019	4	<ul style="list-style-type: none"> • Introduction of Restricted Stock remuneration plan • Abolishing officer's bonus system of Outside Directors 	(General Affairs Manager Integrity Training, General Affairs Manager Candidates Head Office Training, etc.) <ul style="list-style-type: none"> • Improving the integrity of Branch Chief
	9	<ul style="list-style-type: none"> • Review of Directors' term of office (two year → one year) • Abolishment of the system of Executive Advisor and Advisor 	Policies decided by the Board of Directors. Matters placed on the agenda at a general meeting of shareholders of April, 2020
2020	4 (planned)	<ul style="list-style-type: none"> • Improve the independence of the Board of Directors (raising the proportion of Outside Directors up to one-third of the Board of Directors) • Drastic revision in officer's remunerations (Multiple discussions at Personnel Affairs and Remuneration Committee since July, 2019) + Introduction of "Stock Compensation Return (so-called Mars-Clawback) Clause" and "Stock Holding Guideline" • Appointment and dismissal of senior management (Clarification of the Criteria for Appointment of Directors) 	
Fifth medium-term plan period		1. Reform and strengthen the effectiveness of the corporate governance system 2. Enhancement of Information Disclosure and Dialogue with Stakeholders	1. Increasing the integrity of business management 2. Strengthening the group governance system

The Company has formulated **the Fifth Mid-Term Business Plan** ending in January 2023 and has set “Further strengthening core businesses and embarking on new businesses” as the basic policy, and will aggressively and boldly expand our business activities with **the goal of achieving Net sales 2,700,000 million yen and Operating income 220,000 million yen**. In terms of financial policies, the Company will further develop the financial strategy that has focused on investment efficiency since February 2018, and will establish the financial foundations for the next 10 years. Accordingly, **the Company promotes growth investments and strengthens shareholder returns with the aim of achieving sustainable corporate value and common interests of shareholders while stably generating ROE consistently at 10% or more**.

In this way, the Company has achieved record-high results in the most recent fiscal year and has been able to formulate the Fifth Mid-Term Business Plan for the further development of the Sekisui House Group (hereinafter referred to as the "Group"). The Company believes that this is the result of the promotion of the management toward the leader in ESG by the current management team as a united team appointed at the 67th Ordinary General Meeting of Shareholders in addition to the support of our stakeholders, including shareholders' support, customers who love the Sekisui House brand, cooperation of cooperative construction partners and business partners, and the efforts and discipline of all employees.

Accordingly, **in light of the aforementioned achievements of the current management team and the future potential to promote growth-oriented investments and to strengthen shareholder returns, the Company's proposal, in which the core members of the current management team continue to organize the Board of Directors, is considered to be the best option from the perspective of enhancing the corporate value of the Company and the common interests of shareholders**.

(2) The Company's proposal and the Shareholder's Proposal have been reviewed and discussed in a transparent process.

With regard to the structure of the Board of Directors, the Board of Directors consists of personnel thoroughly familiar with the Company's operations and with knowledge about the Company's business, and personnel with knowledge and expertise in finance, accounting and compliance with law, etc., in a manner that combines diversity including gender with an appropriate number of persons. Candidates for Directors are those who possess high integrity (sincerity, having strong moral principles, being earnest) and management capabilities, are appropriate for practicing Corporate Philosophy of the Group, and have an interest in and deep insight into the Group's business, etc.

In addition, the business environment surrounding the Group is undergoing major changes along with the economic situation in Japan, such as the progress of global warming, changes in social conditions in response to the super-aged society, the growth of inbound tourism, and rapid lifestyle innovations through further advances in AI and the IoT. The Company shall entrust the management to a Board of Directors consisting of mainly Inside Directors with reliable result and experience in the housing industry, and of Outside Directors with experience and knowledge in the overseas business and overseas housing market and urban planning or ESG in an appropriate proportion. The Company believes that such a Board of Directors will enable the Company to realize the growth strategy.

In order to ensure fairness and transparency in the selection policy for candidates for Directors and the concrete proposal of the selection of candidates, Personnel Affairs and Remuneration Committee, in which the Independent Outside Directors and Independent Outside Audit & Supervisory Board Members comprise more than half of the members deliberates on candidates, and the Board of Directors respects the opinions of Personnel Affairs and Remuneration Committee, and makes decisions on candidates. In accordance with the concepts described above, Personnel Affairs and Remuneration Committee deliberated on the Company's

proposal on the 69th Meeting, and the Board of Directors respected their opinions, and deliberated on the Company's proposal. As a result, based on the following reasons and the two-year results described in (1) above, the Board of Directors has determined that the Company's proposal is the most appropriate to ensure the achievement of the Fifth Mid-Term Management Plan and to contribute to the strengthening of the management oversight function and corporate governance system.

- I The Company's proposal is structured so that the roles and responsibilities of Board of Directors can be fulfilled at a high level, and any of the size, diversity, and Outside Directors ratio of the Board of Directors (with **Outside Directors increasing by one to four** and **Outside Directors ratio set at one-third**) is appropriate.
- II As a result of comprehensively considering the skill sets required to the Board of Directors, the Company's proposal is necessary and sufficient to place emphasis on social significance, to formulate and steadily execute innovative growth strategies, and to contribute to the long-term and sustainable improvement of the sustainable corporate value of the Company and the common interests of the shareholders.

The 11 candidates of Shareholder's Proposal were also deliberated by Personnel Affairs and Remuneration Committee from the perspective of their careers and achievements as well as their roles and functions in the structure of the Board of Directors, and the opinions thereof were respected and discussed by the Board of Directors. As a result, for the reasons described in (3) to (6) below, the Board of Directors has determined that it is inappropriate to appoint candidates for directors in accordance with Shareholder's Proposal.

(3) The measures to enhance corporate value and the common interests of shareholders in Shareholder's Proposal are unclear.

The Shareholder's Proposal states that "11 candidates for Director listed shall be collectively elected as Directors of the Company." Therefore, the Company understands that the main purpose of the Shareholder's Proposal is the shake-out of the management structure. However, although the phrase "proposals for sustainable improvement of corporate value" is used as the reason for Shareholder's Proposal, no specific management strategies have been set forth, so the policy contributing to the improvement of the corporate value of the Company and the common interests of shareholders is unclear.

Normally, shareholder's proposals aimed at shake-out of the management structure shall clearly indicate specific measures to increase corporate value and the common interests of shareholders. The absence of such measures shall be regarded as evidence that the proposed shareholder and candidates for Directors in Shareholder's Proposal do not possess specific measures to enhance the sustainable corporate value of the Company and the common interests of shareholders.

As previously stated, **the current management team presents a clear management strategy that contributes to the improvement of corporate value and the common interests of shareholders. If Shareholder's Proposal results in the renewal of the management structure of the Company, it may unnecessarily cause confusion in the management of the Company.**

(4) The reasons for Shareholder's Proposal include many misunderstandings of facts and other matters that differ from the facts.

The reasons for Shareholder's Proposal include many misunderstandings of facts and other matters that differ from the facts as follows.

- ① **There have been no improper transactions.**

The Company commissioned outside lawyers to conduct a detailed fact-finding investigation under the leadership of the Audit & Supervisory Board when a personal shareholder filed a lawsuit against the current Representative Director in March 2018. **The statement in the reasons for the proposal of Shareholder's Proposal differs from the results of the detailed investigation, and is a clear misunderstanding of facts, and there is no "improper transactions." In addition, neither criminal investigations of incident of fraud nor subsequent criminal proceedings have detected any improper conduct, such as the connection between insiders of the Company and the criminal group.**

② Important information has already been disclosed.

The Company has disclosed the "Report of Summary of Development of the Problems with the Purchase of the Land for Condominiums" on March 6, 2018 as a timely disclosure document, and has comprehensively disclosed information on the background of the "land fraud incident", the cause of the incident, the location of responsibility, measures to prevent a recurrence and the content of the disposition. This release analyzes the problems of the Company according to stage and position, frankly describes evaluations such as "Head office's check-and-balance function was not functioning, and the person in charge worked hard to fulfill the contract," and "the response to multiple risks was very poor." **In addition, on page 2 of this release "3. Opinions about the responsibility for the Problems and proposals for countermeasures from the committee for investigation and countermeasures" shows that "the President owes a substantial ethical responsibility as the chief management of the Company's business for his failure to appropriately recognize the overview of the transaction and the material risk relating thereto", and that is same as the original investigation report on the responsibility of then President.**

The reason why the Company has not published the full investigation report is because of concerns about counterfeiting of the "land fraud incident", the confidentiality of criminal investigations and the protection of personal privacy. There is no concealment of important information, as suggested by the proposed shareholders.

③ Thorough Governance reforms have strengthened governance since 2018

As the Company disclosed in the "Notice Regarding Media Reports on Events During the Meeting of the Board of Directors of the Company" released on March 6, 2018 as a timely disclosure document, at the meeting of Board of Directors held on January 24, 2018, a motion for the removal of former Chairman Mr. Wada and other motions were proposed for the purpose of the separation of the chairperson and conveners of the Board of Directors to eliminate concentration of power. The motions for the replacement of the convener of this meeting of Board of Directors and for the revision to the rules for the Board of Directors were approved, then the former Chairman Mr. Wada expressed his intention to step down from his position, and the resignation was approved unanimously. As described in (1) above, since 2018, the current Board of Directors has been thoroughly implementing Governance reforms, which were the purpose of the motions, thereby strengthening the corporate governance of the Company. The "incomplete governance" asserted by the proposed shareholder contradicts the facts and is a claim that is not specific. The current Board of Directors has to understand that **Mr. Wada, the proposed shareholder, with no basis, referred to us as "incomplete governance" on the grounds that the resolution of Board of Directors in January 2018 was passed in a way that was against his own will.**

(5) The Shareholder's Proposal is presumed not to be due to justifiable reasons

As stated in (4) above, "improper transactions", "concealment of important information" and "incomplete governance," all of which are cited as reasons for Shareholder's Proposal, differ from the facts, and cannot be a reason that new Board of Directors composed of the current Board of Directors and the candidates for the Company's proposals is inappropriate. Therefore, **the Company must consider that there are no justifiable**

reason of the proposed shareholder who proposes Shareholder's Proposal with statements differ from the facts.

In Shareholder's Proposal, an attorney acting as an agent for Mr. Wada, the proposed shareholder, is the same person as an attorney acting as an agent for the other individual shareholder in a series of shareholder derivative lawsuits filed against the Company's Representative Directors, starting with a litigation demand in March 2018.

The attorney has persistently requested the submission of investigation report that overlaps with the details and related evidence of the "land fraud incident" in the lawsuits, even though the Company has taken the initiative in submitting them to the court. Furthermore, in the proceedings of the lawsuit, the attorney repeatedly asserted that the background to the resignation of Mr. Wada, which is almost not related to the responsibility of the Representative Directors for violations of the duty of due diligence and the duty of loyalty, shall be problematic since filing the lawsuit in May 2018. These suspicious litigation activities are considered only as preparatory actions for Shareholder's Proposal.

Taking into account this series of events comprehensively, the Company can not help thinking that Mr. Wada is not "concerned the Company's current distress and stand up"(reasons of Shareholder's Proposal) but **there most likely is a private reason for the proposed shareholder, and is not intended to enhance the corporate value of the Company and the common interests of the shareholders.**

(6) Candidates for directors of the Shareholder's Proposal do not constitute an appropriate structure as a whole for the improvement of corporate value and the common interests of shareholders.

As mentioned in (2) above, the business environment surrounding the Group is undergoing major changes, and the Company's core business, the housing and real estate business, is facing challenges in handling.

Looking at the composition of the 11 candidates in the Shareholder's Proposal, first of all, there is no candidate who possesses knowledge and experience in the housing and real estate businesses as a Candidate for Outside Directors. Even if adding Candidates for Inside Directors, it cannot be said that they are structured in such a way as to have the knowledge, experience, and skills required to manage the Company in such difficult conditions as described above. Accordingly, it must be determined that the candidates for the Board of Directors of the Shareholder's Proposal as a whole are not constituting an appropriate structure for the improvement of corporate value and the common interests of shareholders.

(7) Conclusion

Based on the above, the Board of Directors believes that the Company's proposal is exactly the best for the sustainable improvement of corporate value and the common interests of shareholders, and that there is no need to appoint any candidate of Shareholder's Proposal as a Director. Accordingly, the Company opposes Shareholder's Proposal.

Attachment

Candidates for Directors of the Company's Proposal

Candidate No.	Name		Remarks
1	Toshinori Abe	Reelection	Chairman & Representative Director
2	Shiro Inagaki	Reelection	Vice Chairman & Representative Director Management of IR Division
3	Yoshihiro Nakai	Reelection	President & Representative Director
4	Takashi Uchida	Reelection	Executive Vice President & Director Management of Administrations Division
5	Shiro Wakui	Reelection Outside Independent	Outside Director Special Professor of Tokyo City University Outside Director of Sekisui Jushi Corporation Outside Director of TOKYU LAND CORPORATION
6	Yukiko Yoshimaru	Reelection Outside Independent	Outside Director Outside Director of Mitsui Chemicals, Inc.
7	Toshifumi Kitazawa	New Election Outside Independent	Vice Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.
8	Satoshi Tanaka	New Election Outside Independent	Counselor of Mitsui & Co., Ltd.
9	Kunpei Nishida	Reelection	Director, Senior Managing Officer Assigned to the post of General Manager of Broking and Leasing Business Headquarters
10	Yosuke Horiuchi	Reelection	Director, Senior Managing Officer In Charge of Investor Relations Division and Transaction Promotion Division
11	Toshiharu Miura	Reelection	Director, Managing Officer In Charge of Technology Division and Production & Procurement Division
12	Toru Ishii	New Election	Managing Officer In Charge of Development Business and Condominium Business Assigned to the post of General manager of International Business Department

Appendix 2

Candidates for Directors of Shareholder's Proposal

Candidate No.	Name		Remarks
1	Christopher Douglas Brady	New Reelection	Chairman & CEO of Chart Group L.P. and Chart National L.P.
2	Pamela Fennell Jacobs	New Election Outside Independent	Chief Sustainability Officer of Spouting Rock Asset Management, LLC
3	Yasushi Okada	New Election Outside Independent	President of Regional Business Development Institute Professor Emeritus at Tokyo Seitoku University
4	Terumichi Saeki	New Election Outside Independent	Partner of Kitahama Partners Attorney at Law
5	Jiro Iwasaki	New Election Outside Independent	Outside Director of Renesas Electronics Corporation
6	Makoto Saito	New Election Outside Independent	Representative Attorney of Legal Professional Corporation Saito Law Office Attorney at Law
7	Hitomi Kato	New Election Outside Independent	President of Falea Company Limited
8	Fumiyasu Suguro	Reelection	Senior Managing Officer, In Charge of International Business of the Company
9	Motohiko Fujiwara	New Election	President & Representative Director of Takamatsu House Co., Ltd.
10	Koji Yamada	New Election	CEO of NORTH AMERICA SEKISUI HOUSE, LLC (to 2019)
11	Isami Wada	New Election	Chairman & Representative Director and CEO of the Company (to 2018)

Note: This Appendix 2 is the transcription of the documents the Company has received from the proposed Shareholder