



# **Sekisui House Group Company Presentation for FY2022 2Q**

September 9, 2022

## Management Direction

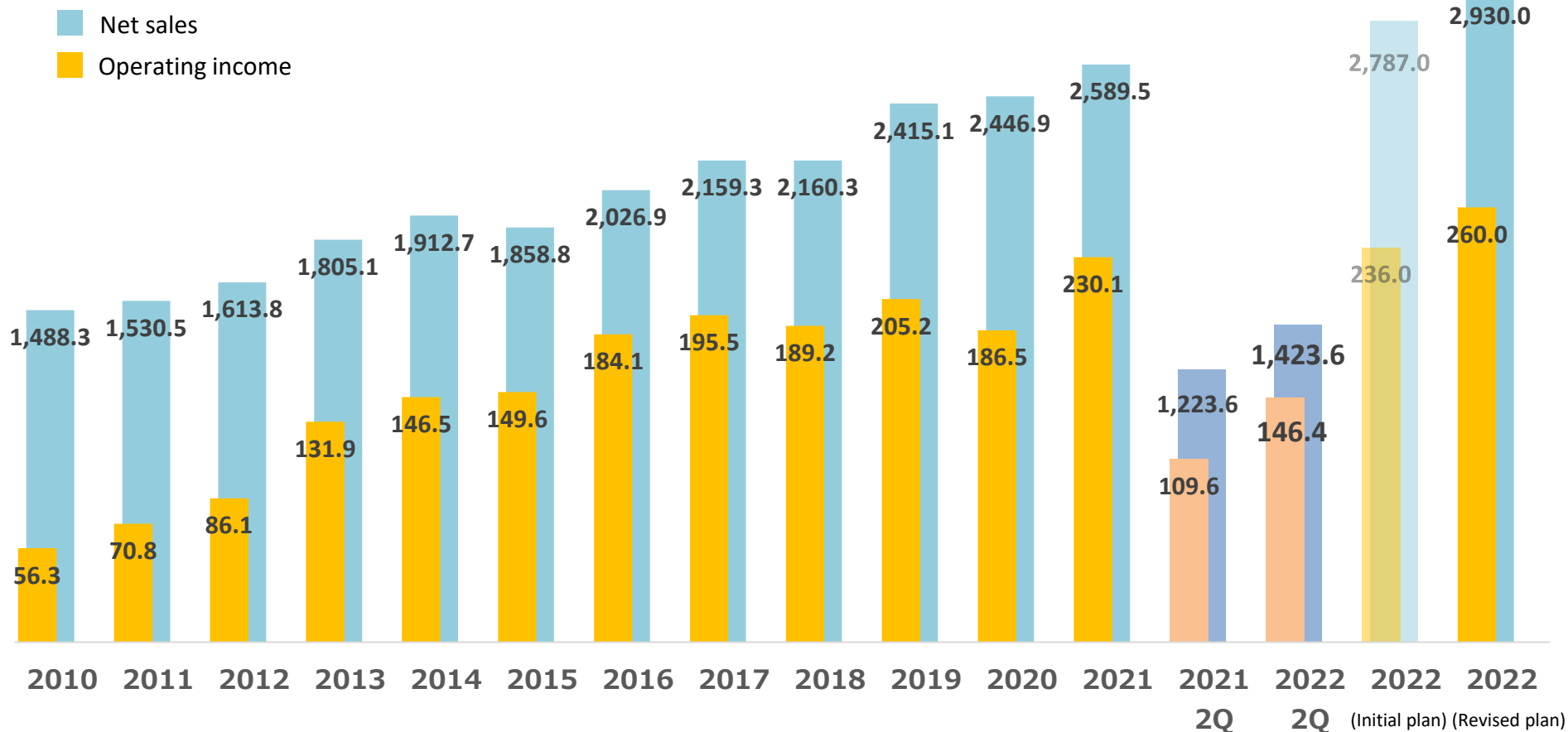
**Deployment of growth strategies  
focused on the residential business domain**

## Fundamental Policy of Fifth Mid-Term Management Plan

**Further strengthening core businesses and  
embarking on new businesses**

# Trends in Net Sales and Operating Income

(Billions of yen)



## 1st Plan

Establishment of lean earnings base

## 2nd Plan

Acceleration of Profit growth through business expansion

## 3rd Plan

Strengthening the synergies in the Group and taking on new challenges in the residential-related business

## 4th Plan

Building the foundation for the residential-related business toward BEYOND 2020

## 5th Plan

Further strengthening core businesses and embarking on new businesses

# Progress in Fifth Mid-Term Management Plan

Steady progress in each business toward realizing the integration of technologies, lifestyle design and services as well as toward making Sekisui House technologies the global de facto standard. The results for the three years of the medium-term plan are expected to far exceed the original mid-term plan.

■ Fifth Mid-Term Management Plan Target announced in March 2020

(Billions of yen)

	FY2020	FY2021	FY2022	Total in three years
Net sales	2,585.0	2,578.0	2,700.0	7,863.0
Operating income	206.0	210.0	220.0	636.0
Ordinary income	205.0	208.0	219.0	632.0
Profit attributable to owners of parent	137.0	138.0	147.0	422.0



	Results		Revised plan		Compared to the original mid-term plan
	FY2020	FY2021	FY2022	Total in three years	
Net sales	2,446.9	2,589.5	2,930.0	7,966.4	+103.4
Operating income	186.5	230.1	260.0	676.6	+40.6
Ordinary income	184.6	230.0	260.0	674.7	+42.7
Profit attributable to owners of parent	123.5	153.9	174.0	451.4	+29.4

# Progress in the FY2022 Management Plan

(Billions of yen)

		FY2021 2Q Results			FY2022 2Q Results			YOY			FY2022 initial plan announced in Mar. 2022		Progress to initial plan	
		Net sales	Operating income	Operating margin	Net sales	Operating income	Operating margin	Net sales	Operating income	Operating margin	Net sales	Operating income	Net sales	Operating income
Built-to-Order Business	Custom detached houses	167.1	20.3	12.2%	179.2	20.5	11.5%	12.1	0.2	(0.7p)	368.0	43.5	48.7%	47.3%
	Rental housing	183.0	25.8	14.1%	208.9	29.8	14.3%	25.8	4.0	0.2p	406.0	58.0	51.5%	51.5%
	Architectural / Civil engineering	137.0	11.7	8.6%	145.9	7.5	5.2%	8.9	(4.1)	(3.4p)	327.0	15.7	44.6%	48.2%
	Subtotal	487.2	57.9	11.9%	534.2	57.9	10.9%	46.9	0.0	(1.0p)	1,101.0	117.2	48.5%	49.5%
Supplied Housing Business	Remodeling	79.7	13.2	16.6%	82.8	14.0	17.0%	3.0	0.8	0.4p	164.0	26.5	50.5%	53.1%
	Real estate management fees	291.4	26.5	9.1%	308.1	26.2	8.5%	16.7	(0.3)	(0.6p)	612.0	52.5	50.4%	50.0%
	Subtotal	371.1	39.8	10.7%	391.0	40.3	10.3%	19.8	0.4	(0.4p)	776.0	79.0	50.4%	51.0%
Development Business	Houses for sale	86.1	6.8	7.9%	116.1	10.2	8.8%	29.9	3.3	0.9p	208.0	15.0	55.8%	68.2%
	Condominiums	40.2	5.9	14.8%	50.5	9.5	18.9%	10.3	3.5	4.1p	91.0	11.0	55.6%	86.8%
	Urban redevelopment	51.8	3.6	7.1%	50.3	6.3	12.7%	(1.4)	2.7	5.6p	117.2	10.0	42.9%	63.8%
	Subtotal	178.2	16.4	9.2%	217.0	26.1	12.0%	38.8	9.6	2.8p	416.2	36.0	52.2%	72.7%
Overseas Business		149.5	18.1	12.1%	241.6	46.1	19.1%	92.1	28.0	7.0p	414.8	54.0	58.3%	85.5%
Other Businesses		37.3	(0.5)	(1.6%)	39.6	(0.2)	(0.6%)	2.2	0.3	1.0p	79.0	0.0	50.2%	-
Eliminations and back office		-	(22.0)	-	-	(23.9)	-	-	(1.8)	-	-	(50.2)	-	-
Total		1,223.6	109.6	9.0%	1,423.6	146.4	10.3%	200.0	36.7	1.3p	2,787.0	236.0	51.1%	62.0%

# FY2022 Earnings Plan by Segment

(Billions of yen)

		FY2021 Results			FY2022 Plan						Change from the initial plan		
					Initial plan			Revised plan					
		Net sales	Operating income	Operating margin	Net sales	Operating income	Operating margin	Net sales	Operating income	Operating margin	Net sales	Operating income	Operating margin
Built-to-Order Business	Custom detached houses	352.7	42.4	12.0%	368.0	43.5	11.8%	368.0	40.5	11.0%	-	(3.0)	(0.8p)
	Rental housing	384.0	56.0	14.6%	406.0	58.0	14.3%	416.0	58.0	13.9%	10.0	-	(0.4p)
	Architectural / Civil engineering	261.9	15.1	5.8%	327.0	15.7	4.8%	299.0	10.2	3.4%	(28.0)	(5.5)	(1.4p)
	Subtotal	998.6	113.6	11.4%	1,101.0	117.2	10.6%	1,083.0	108.7	10.0%	(18.0)	(8.5)	(0.6p)
Supplied Housing Business	Remodeling	156.1	25.5	16.4%	164.0	26.5	16.2%	165.0	28.0	17.0%	1.0	1.5	0.8p
	Real estate management fees	584.9	50.4	8.6%	612.0	52.5	8.6%	618.0	53.0	8.6%	6.0	0.5	-
	Subtotal	741.1	76.0	10.3%	776.0	79.0	10.2%	783.0	81.0	10.3%	7.0	2.0	0.1p
Development Business	Houses for sale	191.4	14.5	7.6%	208.0	15.0	7.2%	231.0	18.0	7.8%	23.0	3.0	0.6p
	Condominiums	90.6	12.4	13.8%	91.0	11.0	12.1%	91.0	12.0	13.2%	-	1.0	1.1p
	Urban redevelopment	102.7	11.2	11.0%	117.2	10.0	8.5%	122.4	11.5	9.4%	5.2	1.5	0.9p
	Subtotal	384.8	38.3	10.0%	416.2	36.0	8.6%	444.4	41.5	9.3%	28.2	5.5	0.7p
Overseas Business		388.9	50.1	12.9%	414.8	54.0	13.0%	540.6	80.0	14.8%	125.8	26.0	1.8p
Other Businesses		75.9	(1.2)	(1.6%)	79.0	0.0	-	79.0	0.0	-	-	-	-
Eliminations and back office		-	(46.7)	-	-	(50.2)	-	-	(51.2)	-	-	(1.0)	-
Total		2,589.5	230.1	8.9%	2,787.0	236.0	8.5%	2,930.0	260.0	8.9%	143.0	24.0	0.4p

## ■ Shareholder Returns

Initial plan: Per-share dividend of ¥94 (¥4 increase year-on-year), Company stock repurchase of 15 million shares (¥30 billion) planned

**Revised plan: Per-share dividend of ¥104 (¥14 increase year-on-year),** Company stock repurchase of 15 million shares (¥30 billion) planned

(Billions of yen)

	Initial plan	Revised plan
Net sales	2,787.0	2,930.0
Operating income	236.0	260.0
Profit attributable to owners of parent	158.0	174.0
Earnings per share (EPS)	236.99 yen	260.83 yen
Return on equity (ROE)	10.5%	11.2%
<b>Dividend per share (yen)</b>	<b>94.00</b> (Interim 47, Year-end 47)	<b>104.00</b> (interim 52, Year-end 52)
Dividend payout ratio	39.7%	39.9%
Company stock repurchase	30.0	30.0

Status of company stock repurchase as of August 31, 2022:

- Aggregate price of shares repurchased: Approximately ¥25.3 billion
- Aggregate number of shares repurchased: Approximately 10.89 million shares

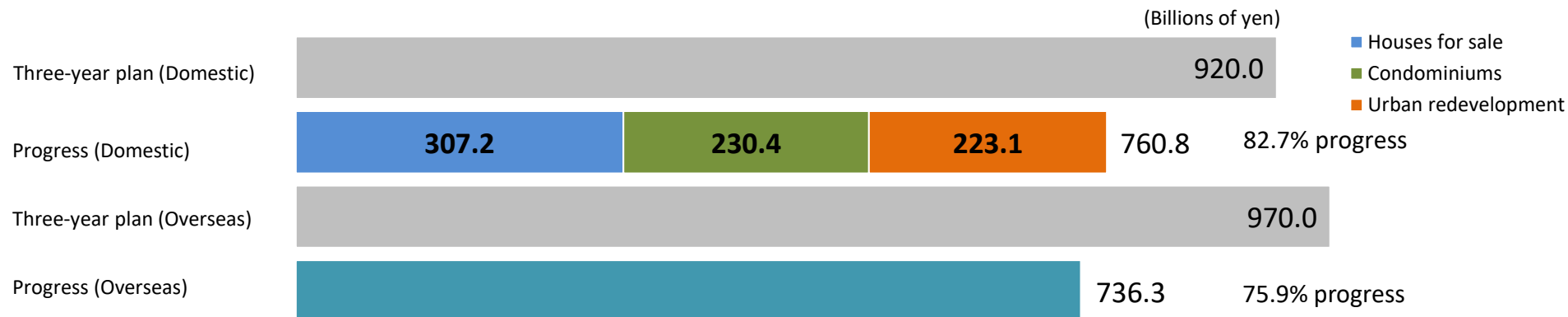
## ■ Investment in Foundations for Growth

### Over three years: ¥200 billion level

- Acquired Holt Homes (U.S.A.) in December 2021 and Chesmar Homes (U.S.A.) in July 2022
- Progress in other investments, mainly in production facilities and R&D

## ■ Real estate investment

### Achieving progress in real estate investment in Japan and overseas while improving asset efficiency



(Billions of yen)

	Domestic business	Overseas business	Total
<b>Investment</b>	760.8	736.3	1,497.1
<b>Recovery</b>	669.5	1,001.2	1,670.8
<b>Net investment</b>	91.2	(264.9)	(173.6)



**Steady improvement of financial health and soundness with an eye to investment for growth, and the redemption of publicly offered hybrid bonds in full prior to maturity**

- ### ■ D/E Ratio



## ■ Progress in priority measures by business

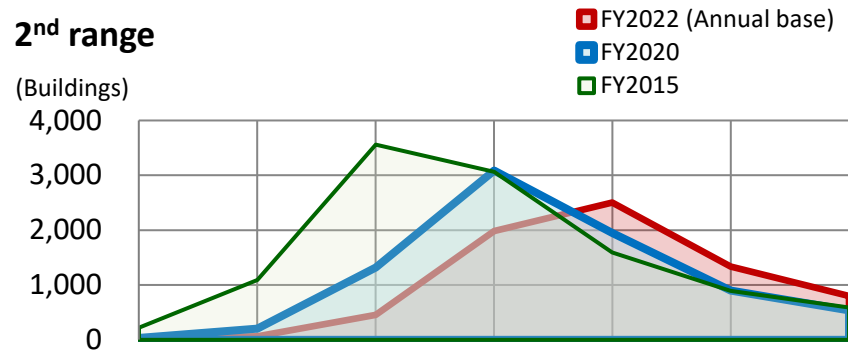
## Key initiatives

1. Implement three brand strategies
2. Advance the CRM (Customer Relationship Management) strategy
3. Enhance technologies, lifestyle design and services

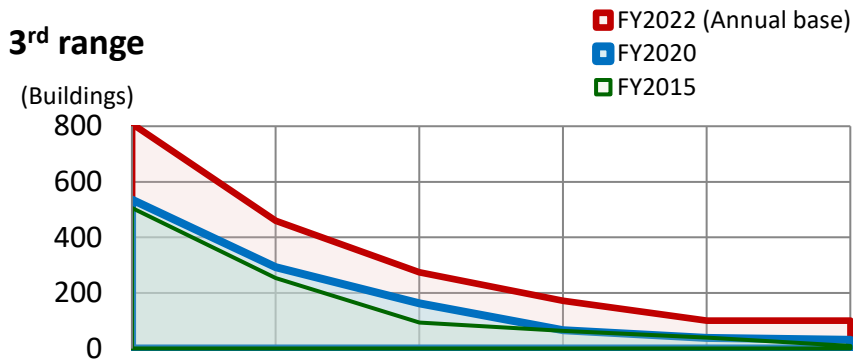
**Steady progress in the 2nd and 3rd product ranges (over ¥50 million) by implementing the three brand strategies**

### ■ Distribution of orders received by sales price range, percentage of orders received

#### 2<sup>nd</sup> range

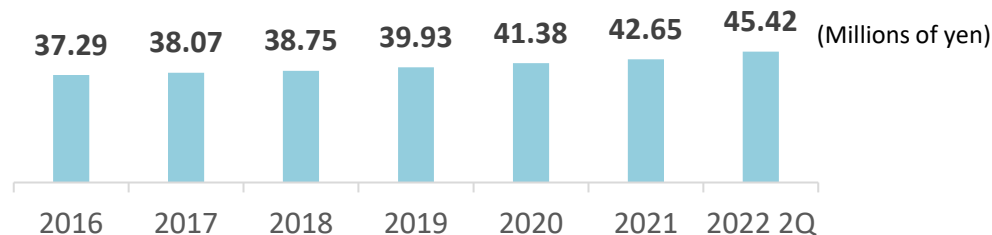


#### 3<sup>rd</sup> range



	Percentage of orders received (based on the number of buildings)	FY2020	FY2022 2Q
	Less than 30.00 million yen	17%	6%
2 <sup>nd</sup> range	30.00 million yen – 40.00 million yen	54%	49%
	40.00 million yen – 50.00 million yen	16%	23%
3 <sup>rd</sup> range	50.00 million yen or more	13%	22%

### ■ Trend in unit price per building / Custom detached houses



Maintained solid order levels thanks to successful lifestyle and high-value-added proposals based on an integration of technologies, lifestyle design and services

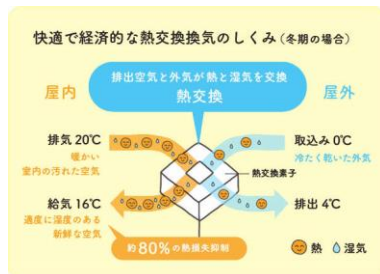
➤ Adoption ratio (as of FY2022 2Q)

Family Suite	SMART-ECS	PLATFORM HOUSE touch	ZEH
63%	83%	36% (3 <sup>rd</sup> range 45%)	91%



High-strength beams enable dramatic large spaces  
**Dynamic Beam**

**Family Suite**  
Breaking away from Japan's conventional living room, dining room and kitchen (LDK) configuration to flexibly accommodate diverse family lifestyles



■ SMART-ECS

Zoning, ventilation and air purification to keep the air in the home clean

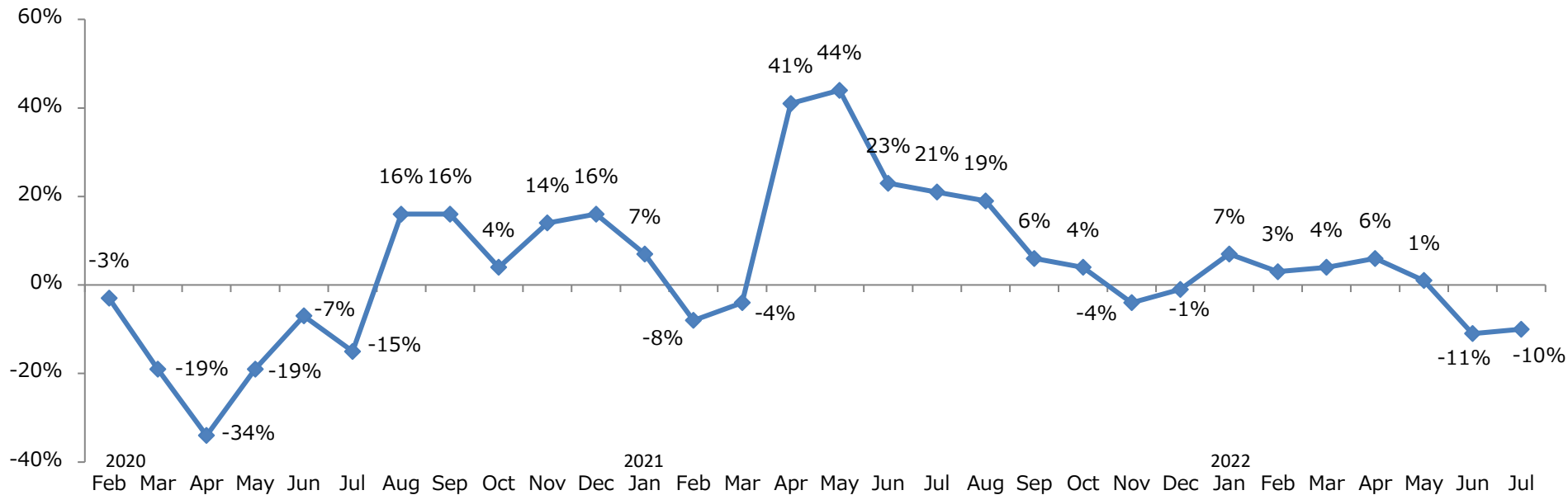


■ PLATFORM HOUSE touch

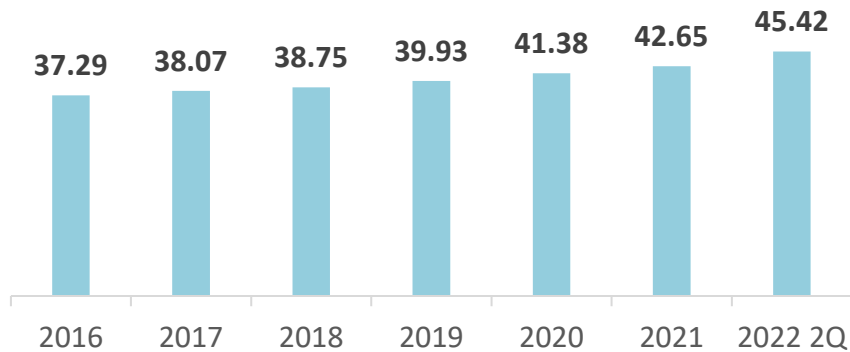
Check on your house with an app that has its floor plan  
Available services include self-home security, living environment monitoring and notifications when someone enters or leaves the home

# Order Status of the Custom Detached Houses

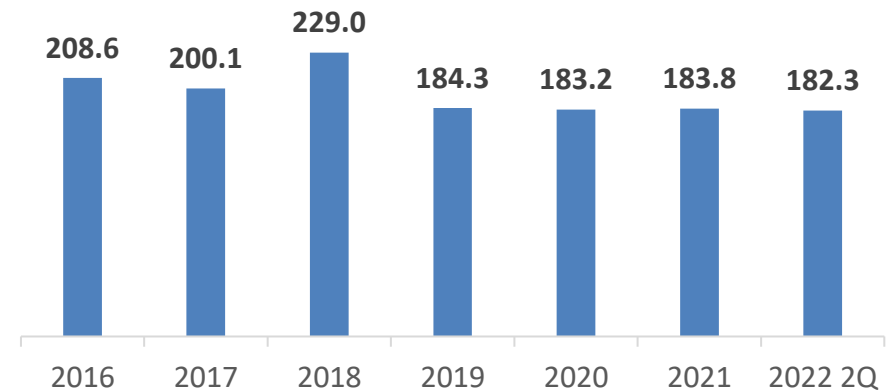
## ■ Trend in Monthly Order (year-on-year changes based on preliminary figures)



## ■ Trend in unit price per building (Custom detached houses) (Millions of yen)



## ■ Trend in order backlog (Custom detached houses) (Billions of yen)



## Key initiatives

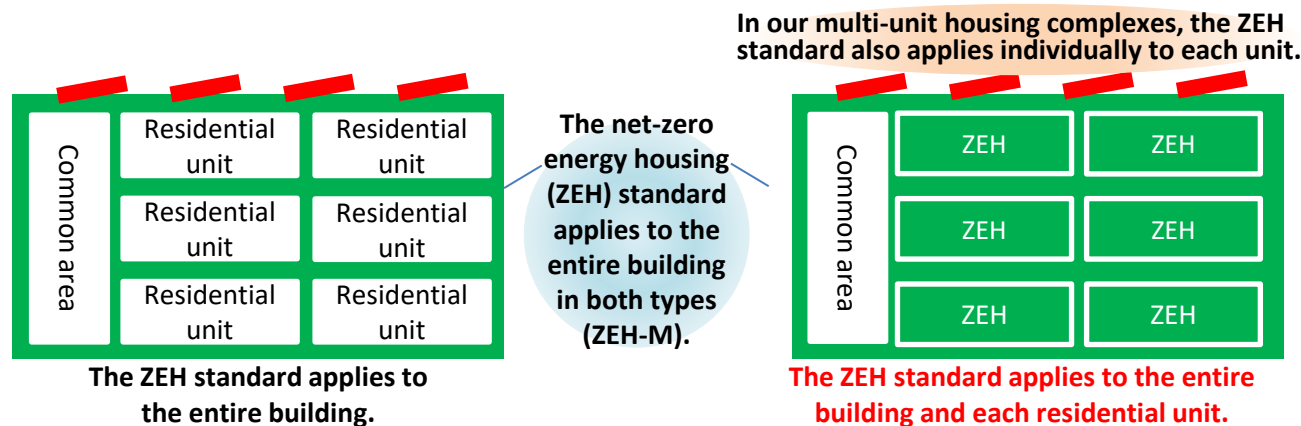
1. Strengthen CRE (corporate real estate) and PRE (public real estate) businesses by bolstering capabilities to make proposals
2. Supply value-added Sha Maison rental housing and price leader strategy
3. Promote sales of  $\beta$  System construction method

Promote the proposition of technologies, lifestyle design and services in the rental housing business

- Orders remained strong due to the success of strengthened proposals for Sha Maison ZEH and corporate customers
  - Sha Maison ZEH contract ratio 61% (7,317 units) (as of 2nd quarter)  
Pace far exceeding this year's target of 50% (FY2021 full-year results: 33% [8,501 units])
- Strengthening sales of the Flexible  $\beta$  System has increased the ratio of 3- and 4-story buildings
  - Ratio of 3- and 4-story buildings (based on order amount): FY2019 73.4% → **FY2022 2Q 84.8%**

## ■ Promote tenant-first ZEH units

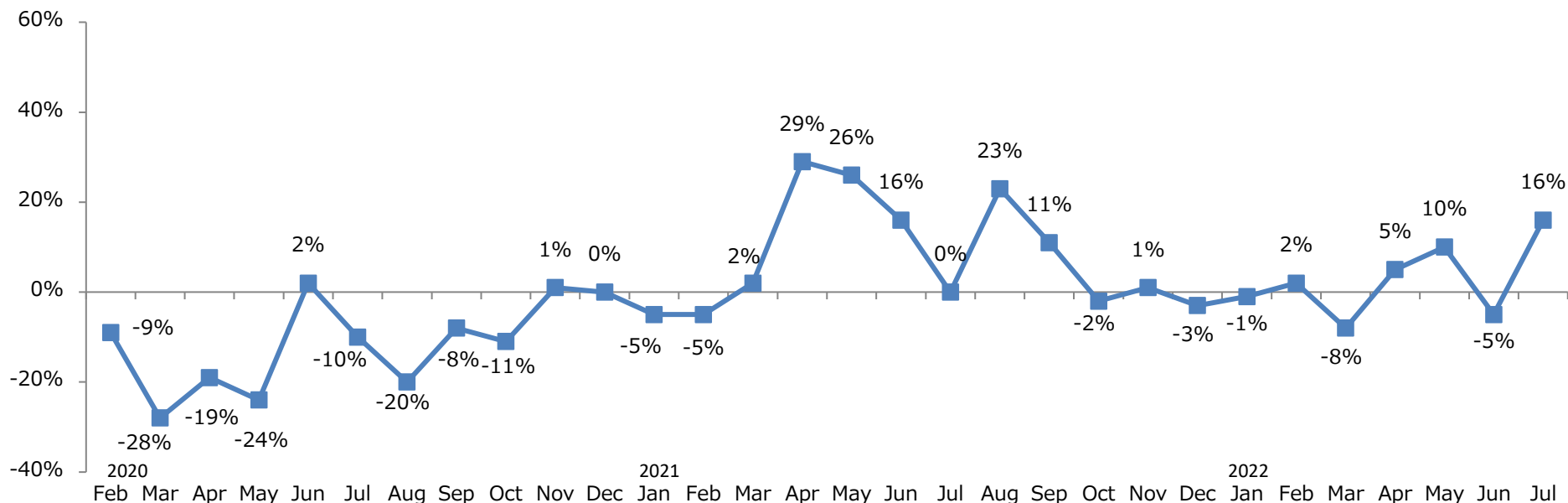
- Two types of ZEH in housing complexes; promote tenant-first ZEH units
- If every unit is ZEH, in addition to the comfort of ZEH provides, tenants can enjoy the benefits of photovoltaic power generation for their utilities and the peace of mind of knowing that electricity will be available even amid a general power outage



Sha Maison ZEH with all unit meeting the ZEH standard (Hiroshima)

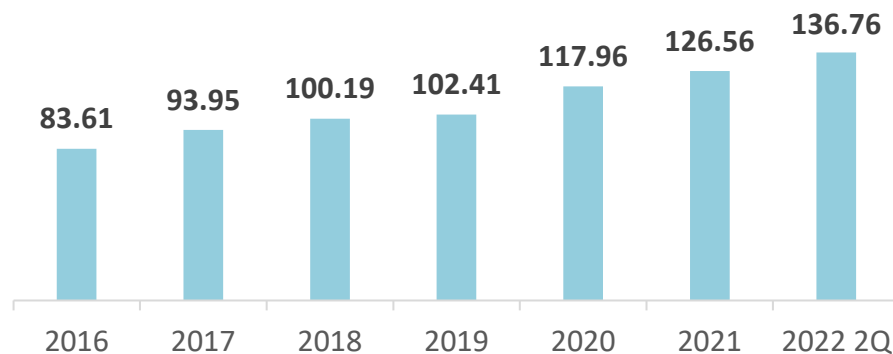
# Order Status of Rental Housing

## ■ Trend in Monthly Order (year-on-year changes based on preliminary figures)



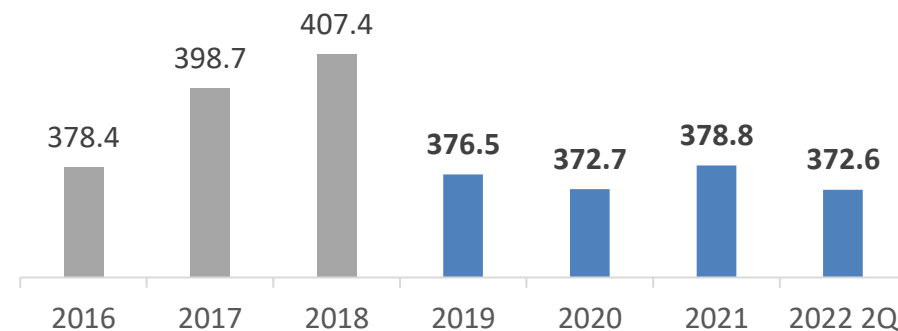
## ■ Trend in unit price per building (Rental housing)

(Millions of yen)



## ■ Trend in order backlog (Rental housing)

(Billions of yen)



\* The Architectural/civil engineering Business was included starting with the FY2020, and therefore, figures for the FY2019 are also presented after the reclassification.

# Custom Detached Houses and Rental Housing Businesses

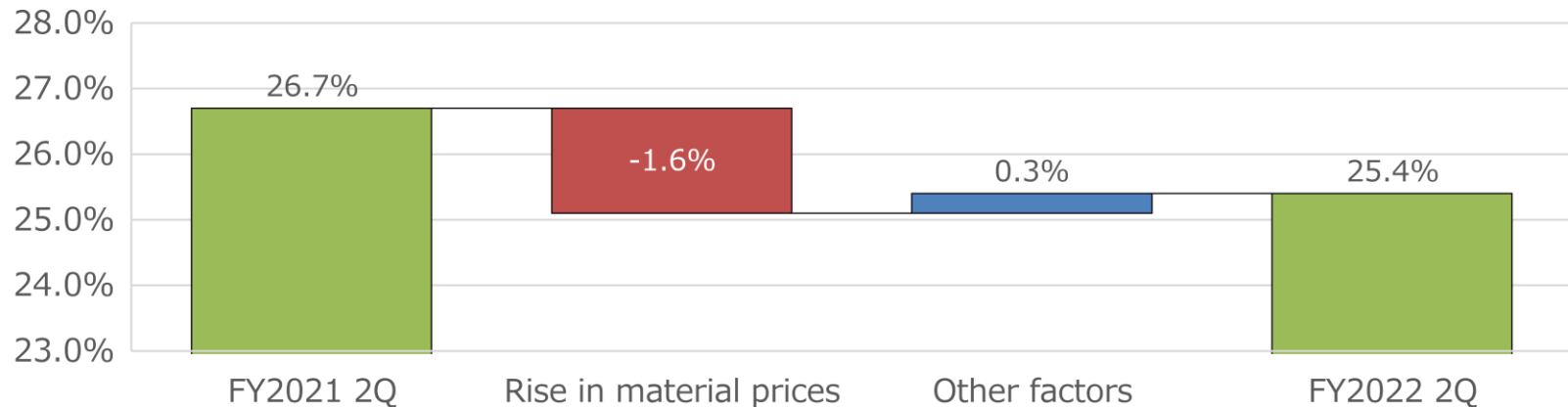
## Impact of Rising Material Prices on Profit Margin

### Gross margin fell due to sharply rising material prices

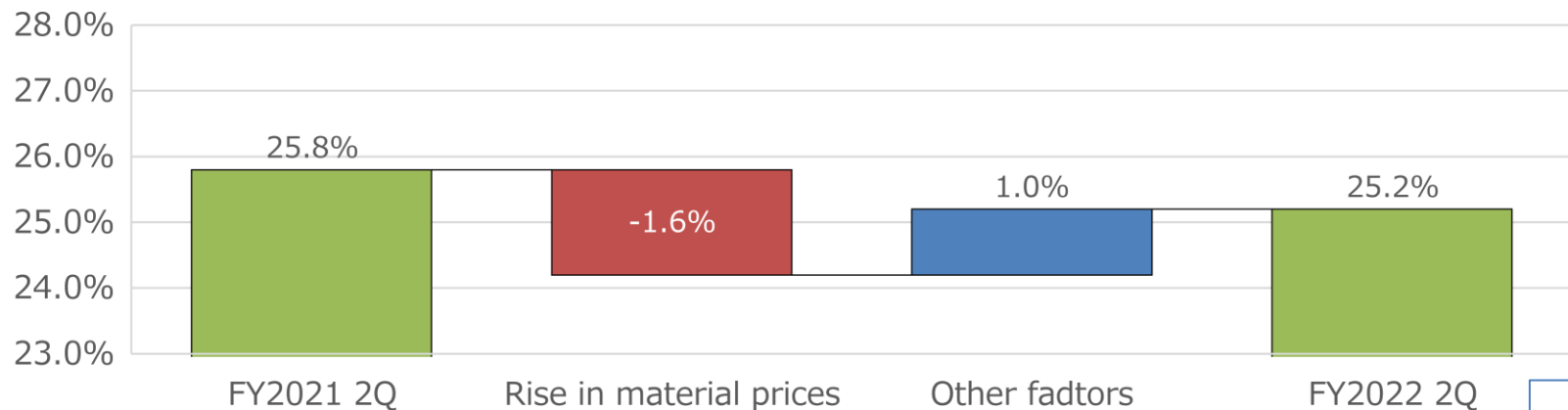
- As of initial plan: Cost increase of ¥13.0 billion per year due to rising material prices  
→ Forecast of ¥19.0 billion per year.

Revised the gross margin forecasts for the custom detached houses and rental housing businesses to 25.1% and 24.9% respectively.

#### Custom detached houses business – Gross margin



#### Rental housing business – Gross margin





## Key initiatives

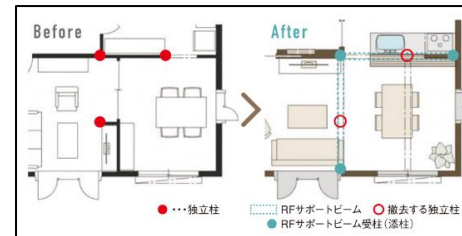
Actively deploy proposal-based and environment-based remodeling

Proposal-based and environment-based remodeling have been well received; Orders were strong, driven in part by subsidies from the government's Children's Mirai Housing Support Project

### ■ Proposal-based remodeling: Family Suite Renovation

Realize large living spaces without partitions in our existing detached houses

RF Support Beam System enables the reduction of existing columns and walls to create a larger open space



### ■ Environment-based remodeling

Developed environmental-based renovation options based on the number of years of construction  
SMART-ECS, popular for new custom detached houses, was launched for remodeling

For owners of properties built between 1960 and 2000

#### *Idocoro Dan-netsu*

Warm in winter, cool in summer; thermal insulation enhancement, mainly in the central living space

#### SMART-ECS Renovation

Clean air / ventilation system + air cleaning

For owners of properties built from 1990 to present

#### Energy generation renovation

Private power generation; storage cell/Ene-Farm

Low-performance insulation

1992  
New energy efficiency  
standards

1998  
Next generation of  
energy efficiency standards

High-performance insulation

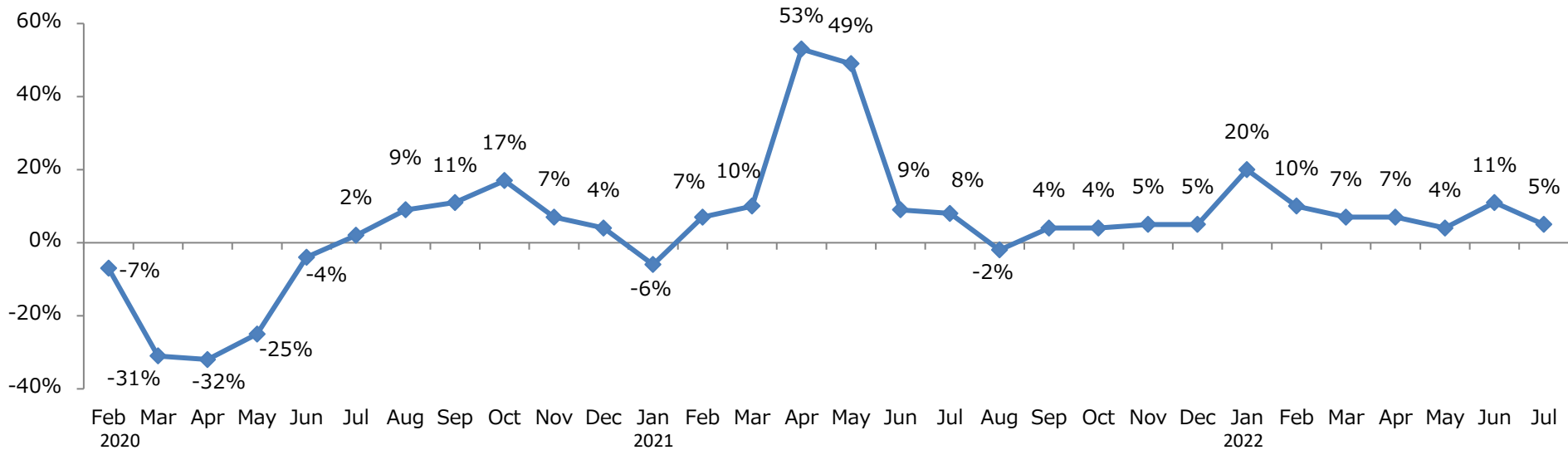
No ventilation systems

2003  
Ventilation system made  
mandatory

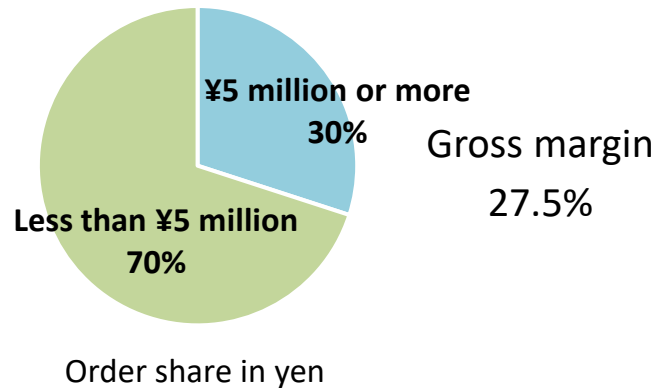
Ventilation systems as standard

# Supplied Housing Business Remodeling

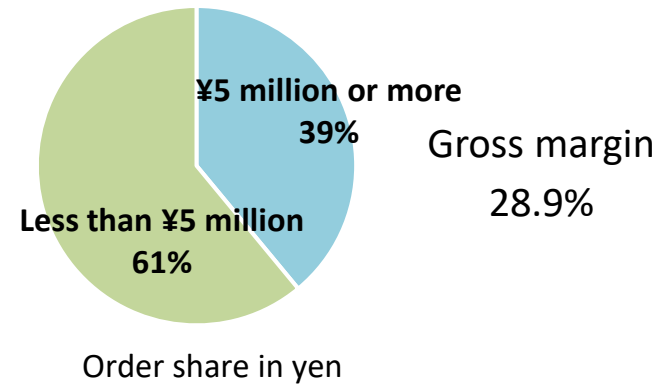
## ■ Trend in Monthly Order (year-on-year changes based on preliminary figures)



<FY2019>



<FY2022 2Q>



## Key initiatives

1. Fundamental reforms of brokerage business
2. Strengthen relations with owners of rental apartments
3. Improve the level of tenant services

### ➤ Differentiation strategies enable stable long-term property management for owners.

Marketing in specific areas, concentrating on urban districts, as well as supplying value-added Sha Maison rental housing and promoting a price leader strategy have successfully differentiated us from the competition, enabling stable long-term rental housing management.

### ➤ The high occupancy rates and rents of property management by Sekisui House Real Estate have earned the trust of customers and Sha Maison owners.

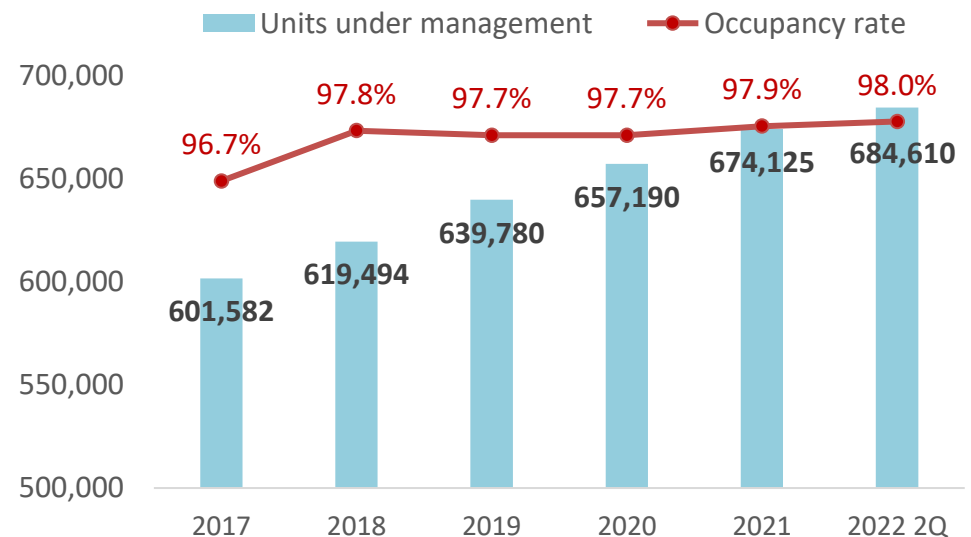
## Sha Maison Life CLUB app, a service for tenants

The app provides a variety of services, including information useful for daily life and disaster prevention, and contact information in case of equipment breakdowns or other problems, with further service expansion under consideration.

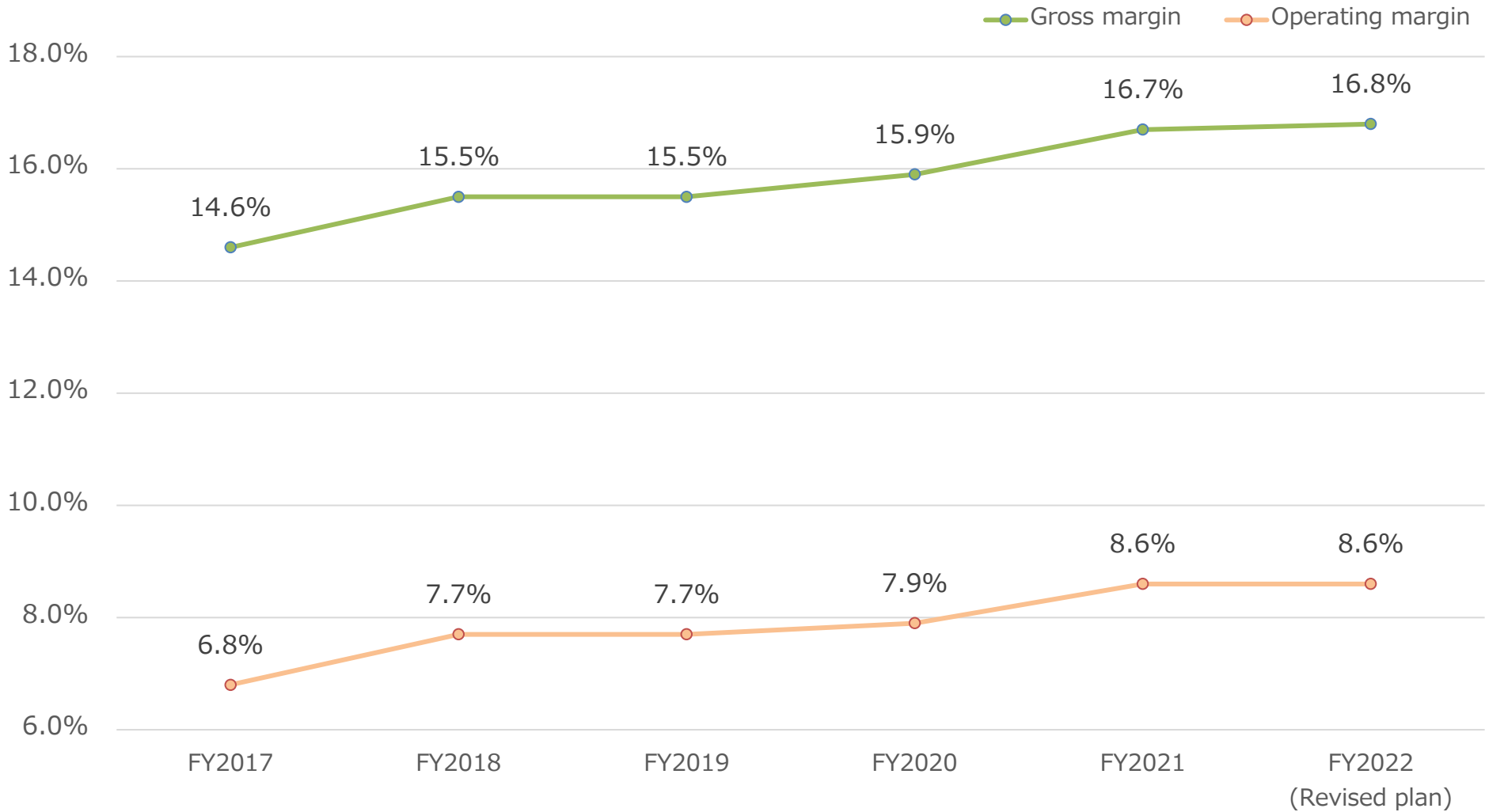
**More than 250,000 have registered for the app.**



## ■ Units under management and occupancy rate



# Real Estate Management Fees Business Profit Margin Trend



Broking and Leasing Business Headquarters

Sekisui House Real  
Estate Holdings

## Key initiatives

### <Houses for sale>

Promote land purchases in target areas and increase turnover

### <Condominiums>

1. Supply of value-added Grande Maison housing and price leader strategy
2. Sekisui House GM Partners. Ltd., provides high value-added services

### <Urban redevelopment>

1. Attractive urban development focusing on Tokyo, Osaka, Nagoya and Fukuoka
2. Advance the Trip Base *Michi-no-Eki* Stations Project

- **Houses for sale**
  - Progress in both sales and land purchases was strong, thanks to the assignment of dedicated procurement staff and the creation of beautiful townscapes based on our guidelines
- **Condominiums**
  - Business development mainly in Tokyo, Nagoya, Osaka and Fukuoka and the supply of value-added Grande Maison backed by environmental performance and lifestyle proposals cultivated in the custom detached houses business contributed to strong performance.
  - Contracts are 98% ahead of the full-year sales plan. Completed inventory is 71 units.
- **Urban redevelopment**
  - Progress is made as planned.
  - Negotiations progressing smoothly toward the sale of properties in line with plans
  - Stable occupancy in residential and office properties, while earnings from hotel properties remain challenging

## Overseas Business – Results and Earnings Plan

(Billions of yen)

Country	FY2021 2Q			FY2022 2Q			FY2022 (Initial plan)			FY2022 (Revised plan)		
	Net sales	Operating income	Ordinary income	Net sales	Operating income	Ordinary income	Net sales	Operating income	Ordinary income	Net sales	Operating income	Ordinary income
Australia	19.5	0.1	0.1	43.7	5.6	5.6	66.9	6.7	6.6	65.0	10.2	10.1
China	10.0	0.2	1.0	21.2	6.6	6.9	22.0	5.0	5.1	24.0	6.1	6.3
U.S.A.	119.7	18.3	17.6	176.6	34.8	33.8	325.9	43.6	41.8	451.6	65.5	63.4
Multifamily	14.9	3.7	-	36.3	8.0	-	70.2	13.6	-	79.2	15.3	-
Master-planned community	34.2	7.3	-	38.8	12.3	-	58.2	10.8	-	80.4	18.7	-
Homebuilding	69.5	6.4	-	100.7	13.8	-	196.2	20.0	-	290.2	32.2	-
Singapore	-	-	0.2	-	-	0.3	-	-	1.2	-	-	0.5
U.K.	-	-	(0.1)	-	-	(1.8)	-	-	(1.1)	-	-	(1.7)
Other administrative expenses	0.0	(0.5)	(0.5)	0.0	(0.9)	(0.8)	-	(1.3)	(1.3)	-	(1.8)	(1.8)
Total	149.5	18.1	18.4	241.6	46.1	44.1	414.8	54.0	52.3	540.6	80.0	76.9

\* The Singapore and U.K. businesses are classified under equity in earnings (losses) of affiliates.

# Overseas Business

## Major Projects Sold in FY2022 2Q

### [United States]

Multifamily	¥36.3 billion
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[Volta on Pine \(Multifamily\)](#)

Master-planned community	¥38.8 billion
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[Nexton \(Master-planned community\)](#)

Homebuilding	¥100.7 billion 1,415 houses
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[Homebuilding](#)

### [Australia]

Condominiums	¥27.1 billion
Detached houses for sale, built-to-order	¥16.6 billion



[Melrose Park: 225 units](#)

### [China]

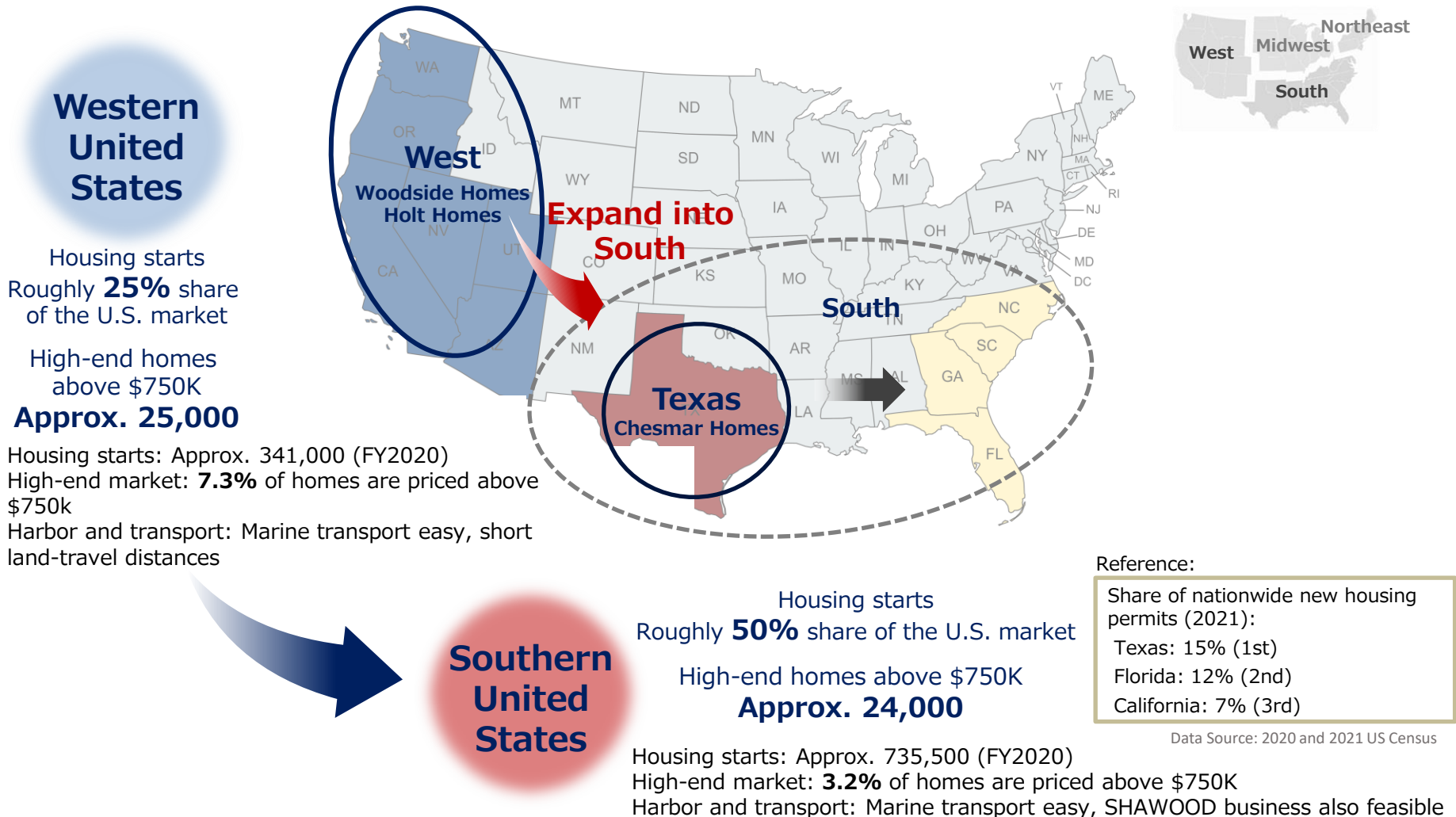
Condominiums, etc.	¥21.2 billion
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[Taicang 2: 431 units](#)

# United States: Business Area Expansion Strategy

With expansion into the Western United States almost complete, we are now moving into the South.  
The first step is to enter the largest southern market, Texas.





## Three steps to expand the U.S. homebuilding business

### Step 1 - Create a foundation for U.S. homebuilding business

Achieved with Woodside Homes

### Step 2 - Horizontal development into promising areas

Accelerate expansion into new areas through acquisition of Chesmar Homes

### Step 3 - Develop SHAWOOD, which best embodies the ideals of Sekisui House, across the U.S.

Make home the happiest place in the world

Integrate the knowledge of group homebuilders and Sekisui House

An unrivaled housing business

## Aiming to supply 10,000 homes overseas in 2025

**U.S. homebuilding business: We expect to reach approx. 7,000 homes in 2025 and aim for further expansion**  
Create new value in happiness encompassing tangible and intangible elements while aiming to transfer Sekisui House technologies.

**Woodside Homes**  
Area: CA, NV, AZ, UT  
Sold: 2,729 homes (2021)



**Holt Homes**  
Area: OR, WA  
Sold: 695 homes (2021)



**Chesmar Homes**  
Area: TX  
Sold: 2,082 homes (2021)

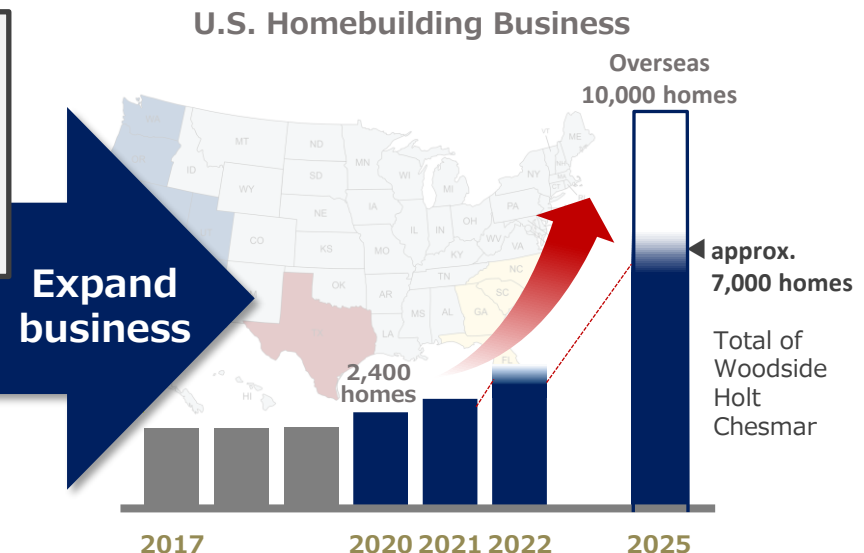


**SHAWOOD business**  
Area: CA, NV  
Provide safety, security and comfort



**Integrate technologies and lifestyle design**  
Transfer of Sekisui House technologies  
Improve value added with lifestyle proposals





\* Based on the number of units delivered annually

## ■ United States

### Multifamily business [Development of rental houses]

The sharp rise in housing prices and the decline in affordability due to the steep rise in mortgage rates since April have made it difficult for first-time buyers in particular to purchase homes, leading to a shift to rental properties. With the exception of the tech and some other sectors, companies are returning to in-person offices and the rental housing market remains strong as evidenced by declining vacancy rates and rising rents. The U.S. economy is currently stalling and the effect of an adjustment in the single-family housing market currently under way will be delayed over the first half of next year. The pace of rent increases is thus expected to shift from rapid to gradual as inflation subsides.

### Master-planned community business [Residential land development]

The strong home sales market turned around in April, and the pace of single-family residential land sales slowed. Builders, who were previously aggressive in their land purchases, also appear to be cautious. Commercial and other land sales remain strong.

### Homebuilding business

Sales remained strong through March, continuing from last year, but mortgage rates, which have been increasing sharply since April, have quickly raised the hurdle for home purchases, and entry-level homebuyers have been shut out of the market, putting a sharp brake on the pace of sales. On the other hand, we expect the pace of sales to return to the pre-COVID-19 pandemic level, supported by firm demand in the single-family home market due to a shortage of existing home inventory and the millennial generation being the main buyers.

## ■ Australia

Mortgage rates have continued to rise in pace with the four policy rate hikes since May, and home prices in the urban areas of Sydney and Melbourne, which soared as the COVID-19 pandemic subsided, have been on a downward trend since the beginning of the year, and the adjustment phase is expected to continue. On the other hand, condominium prices are expected to continue to show moderate growth in line with rising inflation as, due to the easing of immigration restrictions and other factors, the inflow of immigrants is expected to recover to pre-pandemic levels and support population growth.

## ■ China

Real GDP growth was 8.1% in 2021, but slowed in FY2022, growing 0.4% in the second quarter of 2022. The impact of severe restrictions under the zero-COVID policy remains significant. Both investment and sales in the real estate market have deteriorated rapidly since the second half of last year, as major developers have seen a marked deterioration in cash flow since the tightening of real estate regulations in 2020. Closings in our condominiums business are progressing steadily as planned.

## ■ United Kingdom

In June 2022, home prices rose a record high 7.8% year on year. The number of housing transactions, including new and existing homes, in 2022 is expected to decline compared with 2021, when there was a stamp tax exemption to support home purchases, and to settle back to pre-COVID levels. Going forward, the housing shortage will remain unresolved, housing demand will remain strong, and transactions are expected to remain stable. On the other hand, a number of factors are affecting business and consumer sentiment, including a sharp increase in policy interest rates, a trend toward higher prices for building materials due to high inflation, soaring commodity prices due to geopolitical risks, and global recession risks, all of which are contributing to increasing uncertainty.

## ■ Singapore

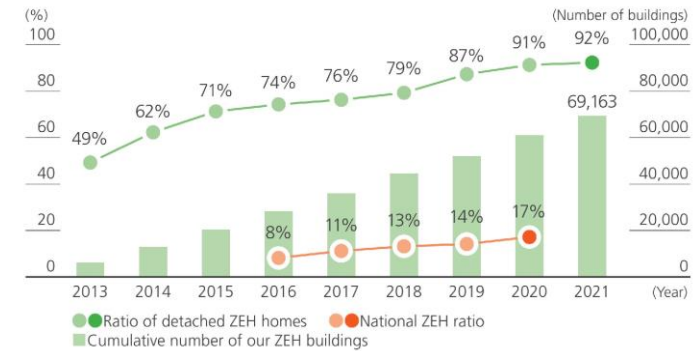
With remote work gaining popularity in the post-pandemic world, relocation-related demand is strong and condominium home prices have risen for seven consecutive quarters, leading to the introduction of new home price controls in December 2021. The One Holland Village project, which is currently under construction, is experiencing a shortage of foreign workers at the construction site because of strict COVID-19 regulations and a decrease in productivity due to working in team shifts, but there has been no significant impact on the overall schedule.

## ■ Initiatives to ESG Management

## ■ Promoting ZEH

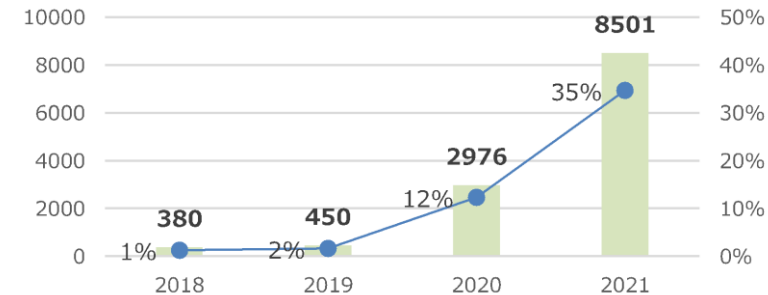
### Promoting ZEH through Green First ZERO custom detached houses

- ZEH FY2021 results was 92%
- Cumulative number of buildings since FY2013: 69,163  
(as of March 31, 2022)



### Promoting ZEH in Sha Maison rental housing

- Orders for 8,501 units in FY2021, more than double the number of units ordered in the previous fiscal year
- 7,317 units ordered by the 2nd quarter of FY2022
- Tenants enjoy the benefits of ZEH, such as comfort and reduced utility costs, by realizing ZEH in all units



### Promotion of ZEH in GRANDE MAISON condominiums

- Construction of four condominiums with 399 ZEH units for sale is scheduled to be completed (in FY2022)

Grande Maison Shimizudani Owner's House  
(Osaka)



### Promotion of ZEB in non-housing buildings

- Proposing Green First offices



Building site: Togane, Chiba Prefecture  
Scale: 304.05 m<sup>2</sup>, one story  
Facility use: Small-scale multifunction residential nursing care  
ZEB rank: Nearly ZEB (76% reduction in emissions)  
Solar power: 20.04 kW  
Business continuity features: solar power, storage batteries, V2H, hybrid water heater  
Infection control measures: total heat exchange ventilation

# ESG Management

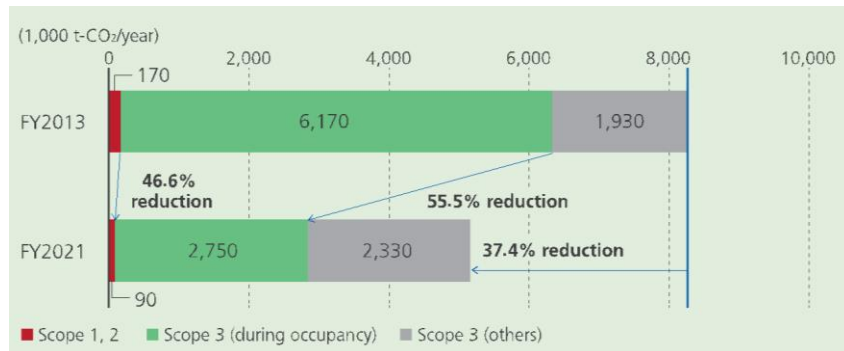
## Lead the Way to a Decarbonized Society

### ■ Upwardly revised targets for reduction of CO<sub>2</sub> emissions in business activities

Upward revision of the CO<sub>2</sub> emissions reduction target (by 2030) in business activities (Scope 1 and Scope 2) from 50% to 75%

- Switching all Company vehicles to EVs by 2030
- ZEB for newly constructed Company buildings
- Promoting the Sekisui House *Owner Denki* program (approx. 50% of customers with graduated FIT applied)

### ■ Sekisui House Group CO<sub>2</sub> Emission Reduction Progress



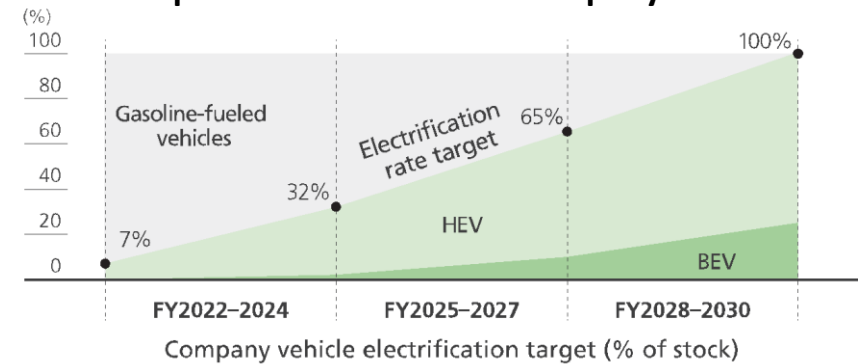
### ■ ZEB for Newly Constructed Company Buildings

In the non-housing sector, we are promoting the of ZEB (Zero Energy Building) construction, including for offices, to enhance building comfort, energy efficiency, and disaster resilience. Since June 2021, as a general rule we have been using ZEB for newly constructed offices. Eight ZEB have already been constructed and five more are planned (as of April 31, 2022).

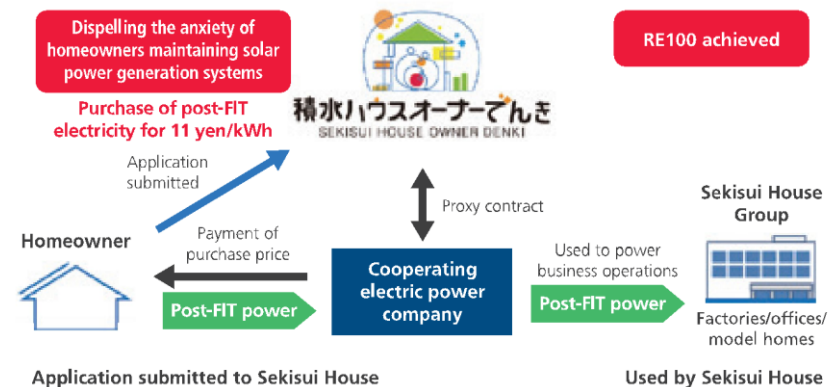


ZEB office at the Company's Kanto Factory

### ■ Roadmap for Electrification of Company Vehicles



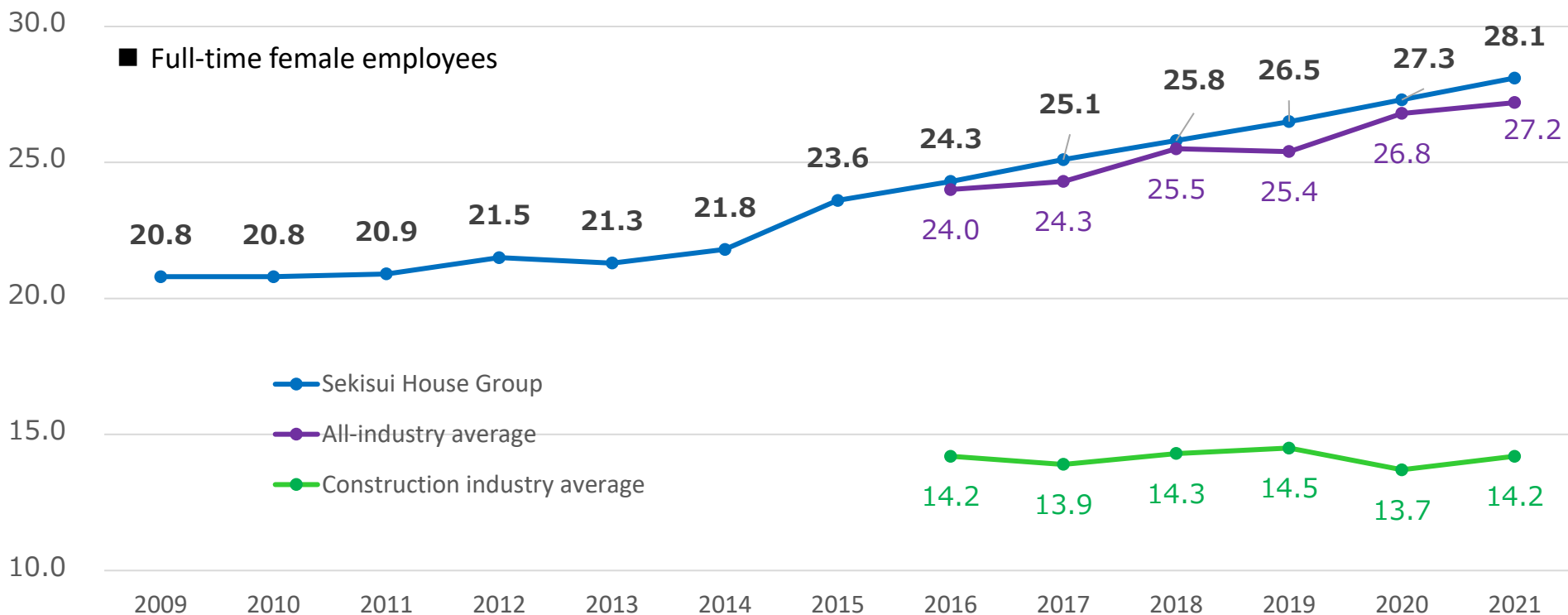
### ■ Sekisui House *Owner Denki*



## ■ Actively recruiting women in sales and engineering for over 10 years

The percentage of full-time female employees rose to 28.1%, higher than the average for all industries and about two times the average for the construction industry

- Actively recruiting female sales staff and promoting initiatives focused on training and retention
- In the engineering field, the number of female employees with specialist certifications such as chief architect (design) and chief constructor (site supervisor) is increasing, and the stage for their activities is expanding
- Sekisui House Remodeling actively hires women who have families and experience raising children as remodeling advisors (sales staff).



Source: The percentages of full-time employees and regular staff members by gender and job category are prepared by the Company in accordance with the Basic Survey of Gender Equality in Employment Management of the Ministry of Health, Labour and Welfare of Japan.



# Governance

## Progress of Corporate Governance Reforms (1)

	Strategy	Date	Outline
1	Introduction of a mandatory retirement age of 70 for representative directors	Mar. 2018	Resolved at the meeting of Board of Directors
2	Appointment of women as External Directors	Apr. 2018	Approved at the General Meeting of Shareholders (Elected one female external director and one female external Audit & Supervisory Board member)
3	Transparency and invigoration of Board of Director meeting operations	Feb. 2018	Resolved at the meeting of Board of Directors (Separation of the chairman of the Board and the convener)
4	Establishment of the Management Meeting	Feb. 2018	Resolved at the meeting of Board of Directors
5	Clarification of Directors Responsibilities for Each Department	Mar. 2018	Resolved at the meeting of Board of Directors (Structural reform in Apr. 2018)
6	Evaluation of the Efficacy of the Board of Director	Mar. 2018	Resolution of the Board of Directors (third-party evaluation in FY2019 and FY2020)
7	Reform of the approval system	Jun. 2018	Clarification of the department responsible for the review, introduction of an electronic approval system
8	Ensuring independence and strengthening internal checks of chief managers in charge of general affairs in sales administration headquarters and branches (Building a governance network involving Group companies)	Nov. 2018	Start of operation (training program, review of positions and personnel appraisal process)
9	Improving the integrity of branch managers Expand the scope of the Integrity Management training	Nov. 2018 Aug. 2020	Started Launched “Sekisui House Management School” .) Expansion of applicability (head office personnel in responsible positions, Group company executives)
10	Next Generation managers / Development of Future Leaders	Oct. 2019	Started (“SHINE! Challenge Program”)
11	Introduced restricted stock into the system of compensation	Apr. 2019	Approved at the General Meeting of Shareholders
12	Elimination of the officer bonus system for outside directors	Apr. 2019	Approved at the General Meeting of Shareholders
13	Review of the term of office of directors	Sep. 2019	Policy resolved at the meeting of Board of Directors(Approved at the General Meeting of Shareholders in Apr. 2020)
14	Abolish the Advisor / Advisory system	Sep. 2019	Policy resolved at the meeting of Board of Directors(Approved at the General Meeting of Shareholders in Apr. 2020)
15	Fundamental revision of the executive compensation system	Apr. 2020	Approved at the General Meeting of Shareholders



# Governance: Progress of Corporate Governance Reforms (2)

	Strategy	Date	Outline
16	Introduction of guidelines for holding stock	Apr. 2020	Introduced
17	Establishment of Stock Compensation Refund Clause (Malus and Clawback)	Apr. 2020	Introduced
18	Development of criteria and procedures for the selection and dismissal of senior management	Apr. 2020	Started
19	Increased independence of the Board of Directors	Apr. 2020	Proportion of outside directors: 1/3 (Proportion of outside directors : 40% in Apr. 2021)
20	Increase in effectiveness of personnel and remuneration advisory committee	Apr. 2020	Appointment the chairperson from among Outside Directors and increase in Outside Directors to be a majority of the members
21	Development of an overseas whistleblower system	Jun. 2020	Started
22	Establishment of the Office of the Board of Directors	Aug. 2020	Support for enhancement of Outside Directors' activities
23	Clarification of the skill matrix	Apr. 2021	Clarification of the reasons for choosing each skill category, the reasons and the expected roles for selecting each candidate for Director.
24	Reform of Executive Officer System	Apr. 2021	Start of operation (visualization of management human resource development in four levels and six divisions)
25	Selection of the chairperson of the Board of Directors' meetings from Outside Directors.	Apr. 2021	Resolution of the Board of Directors
26	Increase in transparency of executive compensation system	Apr. 2021	Individual disclosure, at the securities report, of remuneration for all internal Directors regardless of remuneration amounts
27	Improve objectivity and independence of the executive compensation determination process	Jan. 2022	Delegation of authority to determine individual compensation for directors and entrusted executive officers from the Board of Directors to the Personnel Affairs and Remuneration Committee
28	Strengthen Group Governance	Feb. 2022	Established an intermediate holding company, Sekisui House Real Estate Holdings. Oversee and strengthen governance by deploying specialized organizations and personnel.

# Appendix

## ■ Putting ESG Management into Practice

# Environment

## KPIs for Decarbonization

KPIs	FY2020		FY2021		FY2022	Remarks
	Target	Result	Target	Result	Target	
Ratio of detached ZEH homes	88%	91%	89%	92%	90%	
Ratio of ZEH units for rent	1,200	2,976	1,800	8,501	50% -	Changed to ratio from FY2022
Number of ZEH condominiums for sale Ratio of ZEH condominiums for sale	32	32	196 35%	192 39.4%	540 85%	Cumulative units Built Sales ratio
Number of <i>Idocoro Dan-netsu</i> houses (location-based insulation upgrades)	1,000	1,005	1,200	1,338	1,250	
Rate of CO2 emissions reduction from new housing	42%	54.7%	-	55.5%	-	
Rate of CO2 emissions reduction from business operations <sup>*1</sup>	29%	39.2%	-	46.6%	-	
RE100 achievement rate <sup>*2</sup>	6%	16.4%	25%	33.5%	35%	
Supplier science-based target-setting rate	-	18.6%	-	22.2%	-	

\*1 : Scope 1 and 2 emissions reduction rate relative to FY2013 levels.

\*2 : Ratio of the amount of post-FIT photovoltaic power and other power purchased by Sekisui House Owner Denki to the total amount of electricity consumed in our business operations.

## ■ Participation in Initiatives

2008: Ninth meeting of the Conference of the Parties (COP 9)

Signed the Business and Biodiversity Initiative and the Leadership Declaration as a leading Japanese company.

## ■ Ecosystem-Friendly Landscaping and Greening *Gohon no Ki* Project

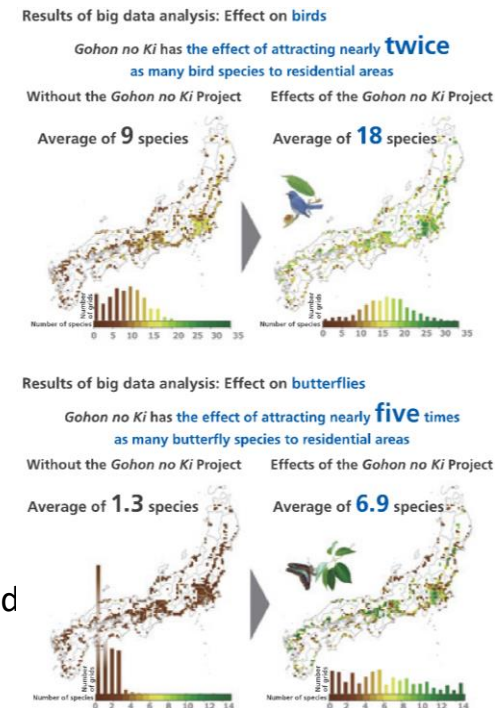
- Continuing the *Gohon no Ki* project since 2001. *Gohon no Ki* means “five trees” in Japanese, and the project is centered on creating gardens with the concept of planting three out of every five trees for birds and two for butterflies
- One of the aims of the *Gohon no Ki* project is to increase the amount of high-quality green space in cities and to maintain and revive the ecological network (nature positive)
- Cumulative number of trees planted by FY2021: 18.1 million

## ■ Quantitative Effectiveness Assessment through the Use of Biodiversity Big Data

- In 2019, we began working collaboratively with Kubota Laboratory (Faculty of Science, University of the Ryukyus), using big data to quantitatively analyze the effectiveness on biodiversity conservation from a macro perspective.

## ■ Zero Deforestation Declaration

- The Company uses approximately 250,000 m<sup>3</sup> of wood annually in the manufacture of building materials  
Having identified impact on biodiversity in timber harvesting areas as a key risk, we issued a zero deforestation declaration
- The Company conducts annual surveys of wood supplied to major suppliers based Guidelines, which cover biodiversity



## ■ FairWood procurement and Wood Procurement Guidelines

Define FairWood as wood that contributes to sustainability and community development.

Declaration of priority on FairWood procurement in the Wood Procurement Guidelines, and engagement with international environmental NGOs and industry stakeholders to improve procurement levels

## ■ Evaluation Based on Wood Procurement Survey

Numerical evaluation of detailed information on the volume, species, and origin of procured wood in accordance with the Wood Procurement Guidelines

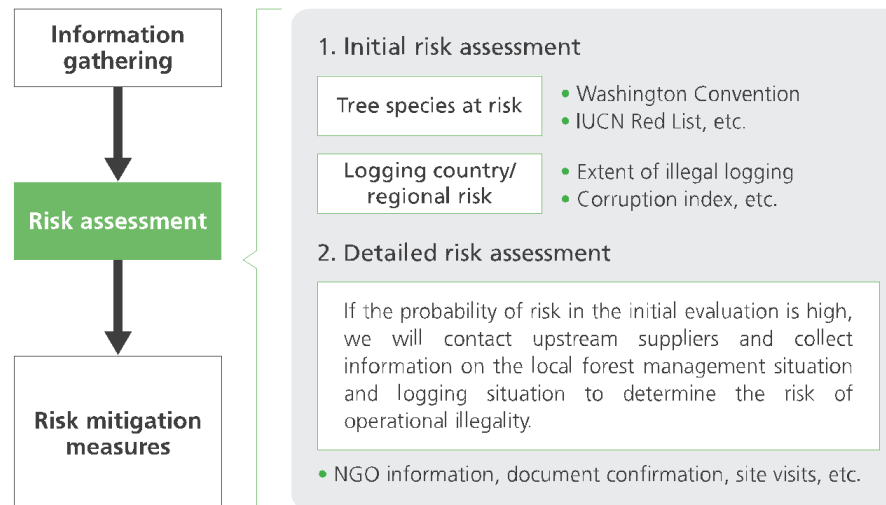
Ranked in four levels: S, A, B, and C

The percentage of S- and A-ranked lumber increased from 47% in FY2006 (before the implementation of the guidelines) to 97.2% in FY2021

## ■ Ensure Due Diligence in Procurement

Rigorous due diligence as a process to ensure sustainable timber to support the future of the business

### Due Diligence Practices



### ■ Establishment of Sekisui House Zero Emission System

Set up own Recycling Center facilities

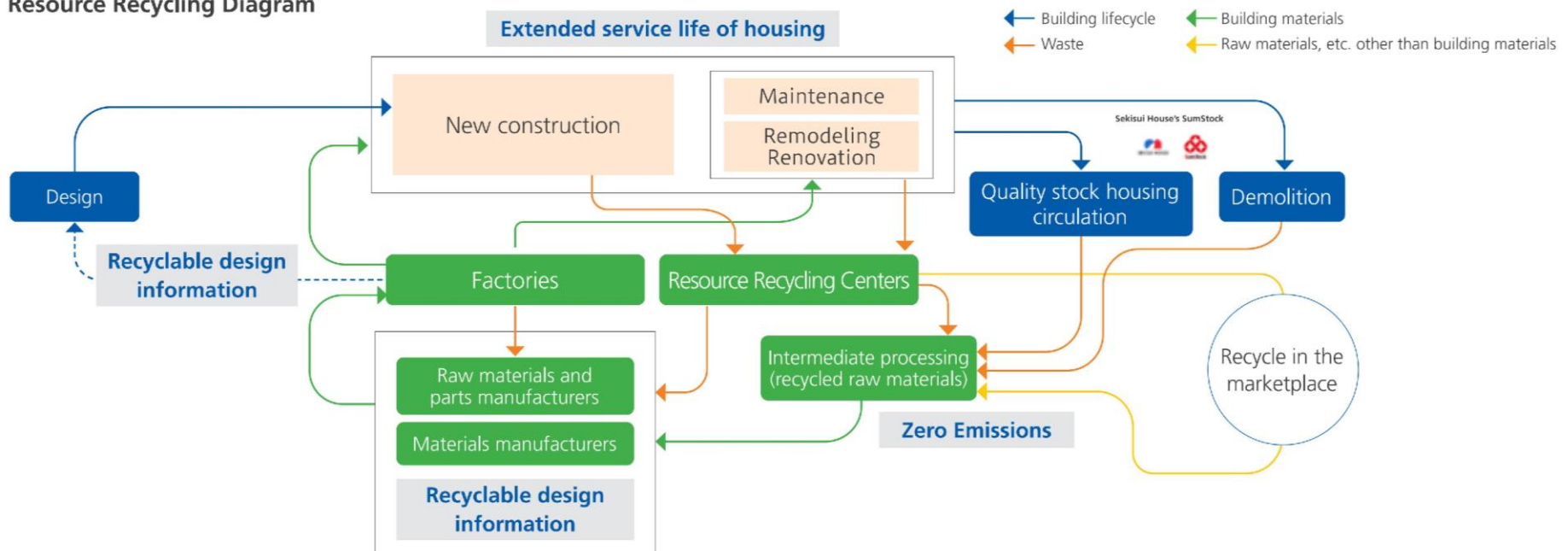
Ensures recycling by consolidating waste generated at construction sites

### ■ Boosting Measures through the Wide Area Certification System

In 2004, the Company became the first in the construction industry to be certified under the Wide Area Certification System, a special feature of Japan's Waste Management Disposal and Public Cleansing Law

Based on this system, we expanded our zero-emissions efforts and from 2002 to 2007 we succeeded in achieving zero emissions in four of our divisions (material production, new construction sites, after-sales maintenance, and construction sites for remodeling our own properties).

Resource Recycling Diagram

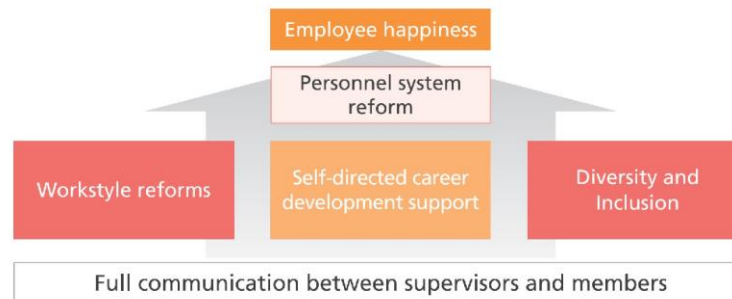


### ■ Personnel System Reform to Support Self-Directed Career Development

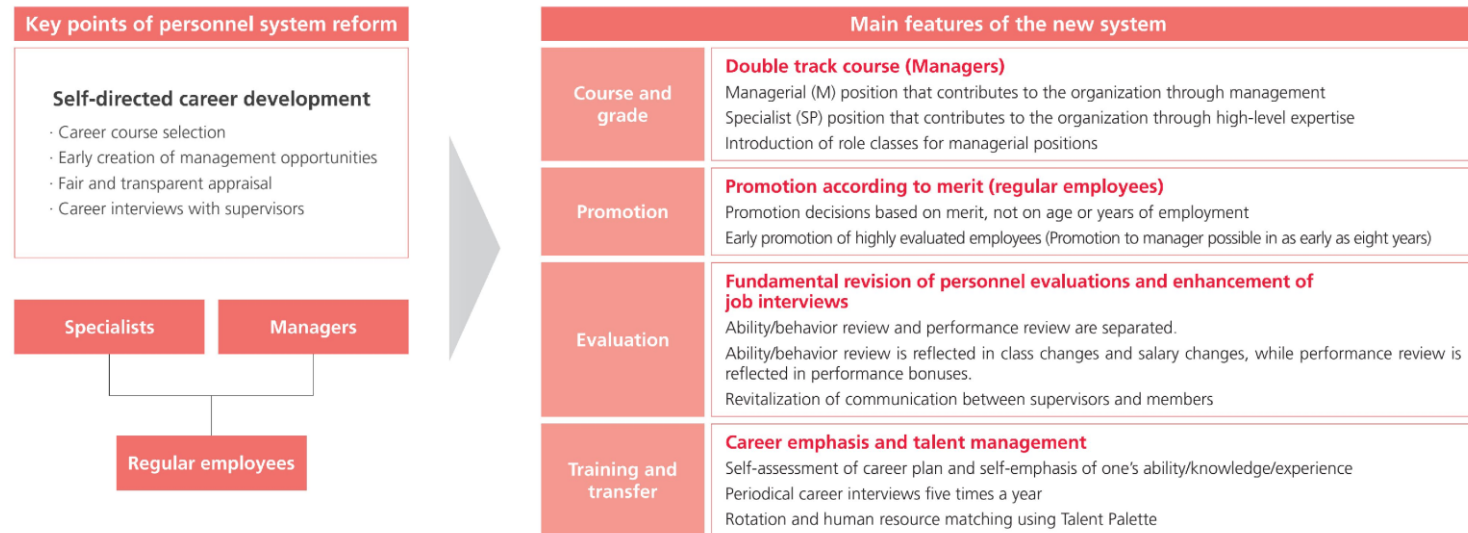
In line with our global vision to “make home the happiest place in the world,” in 2021 we started reforming our personnel system with the aim of becoming the happiest company in the world

#### Purpose of Personnel System Reform

Personnel system reform that supports autonomous career development



#### Outline of Personnel System Reform



## ■ Announcement of “Human Resource Sustainability”

Announced the Human Resource Sustainability declaration in 2006

The three pillars of our diversity promotion policy are promoting the participation of women; utilizing diverse personnel; and promoting diverse workstyles, and we are working to create an environment and structure where both employees and the Company can achieve sustainable growth.

## ■ Sekisui House Women’s College for Training Female Management Candidates

- Aim to appoint at least 310 women to management positions by FY2025
- Initiated Sekisui House Women’s College for training female management candidates in 2014
- Achieved the goal for the final year of the Fifth Mid-Term Management Plan ahead of schedule

### ■ Number and ratio of female managers

	FY2019	FY2020	FY2021	FY2022 (Target)
Number of female managers	206	236	273	260
Ratio	3.44%	3.79%	4.31%	



# ESG Management: Nationwide Expansion of Housing Education Program

Maximize the expertise of the Company's business and the attractiveness of its facilities to solve social issues (eliminating the educational opportunity gap, improving housing literacy)

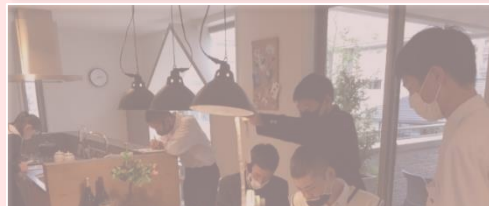
## Sekisui House Housing and Education Lineup



①Minecraft Cup  
National Tournament



②Tomorrow's Life  
Museum Programming  
Education



③Display homes,  
exhibition sites  
Happy Home Study



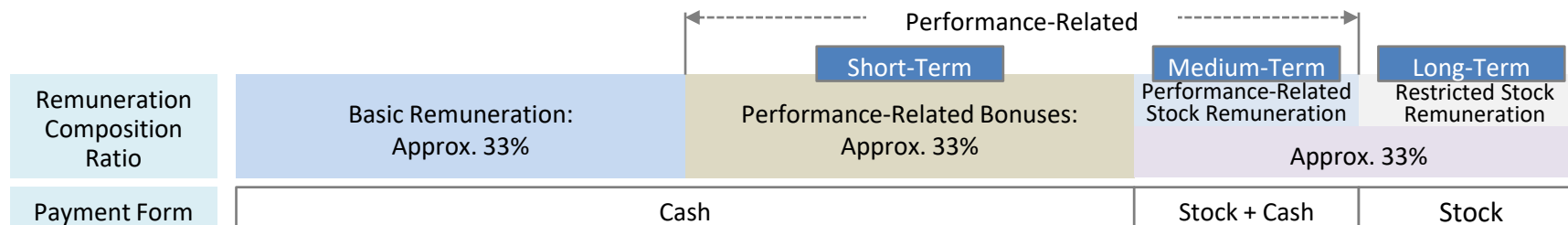
Support for SDGs and  
housing classes at  
elementary schools



Responding to  
vocational lectures  
from junior high  
schools



【Image shows the Percentage of Compensation Composition of the Representative Directors at the Base Performance】



### 【Overview of Performance Linked Compensation】

- ◆ Performance linked bonuses (Short Term)
  - KPI : Consolidated Ordinary Income (Total amount paid to be capped at 0.18%)  
+ Consolidated Net Income (100 Billion Yen) by Setting up a Non-Payment Line
  - Calculation Method : Calculated by multiplying the coefficient for each position by consolidated ordinary income for each fiscal year.
    - Coefficients for each position is disclosed in the annual report
- ◆ Performance linked stock remuneration (Medium-Term)
  - KPI : ROE(80%) + ESG Management Indicator (20%)
  - Calculation Method :
 

$$\begin{aligned} & \text{(ROE Section)} && \text{Base Stock Unit} & \times & 80\% & \times & \text{Payment Ratio} \\ & \text{(ESG Management Indicator Section)} && \text{Base Stock Unit} & \times & 20\% & \times & \text{Payment} \end{aligned}$$

    - The formula for calculating the number of reference stock units by position and the rate of payment of the ROE portion is disclosed in a report.
    - At the time of payment, 50% will be paid in shares and 50% will be in case (due to tax)

# Governance Performance-based Stock Compensation ESG Management Indicators and Numerical Targets

Evaluation Period: Fiscal 2021 to 2023

Note: KPIs and numerical targets are decided annually for the following three fiscal years.

ESG Management Indicators		Numerical Target (January 31, 2024)	Weighting
<b>E (Environment)</b>	Ratio of detached ZEH homes	90%	40%
	Number of Sha Maison ZEH units	4,000 units per year	
<b>S (Social)</b>	Number of female managers	280	30%
	Take-up rate for eligible male employee childcare leave	98%	
	Monthly average working hours	175 per month	
<b>G (Governance)</b>	Enhance response to the Corporate Governance Code	Improve disclosure through third-party reviews (comparison of TOPIX100 companies)	30%
	Strengthening Group governance	Group company administrative regulations and effectiveness of governance-related human resource measures	

### Progress

We are steadily selling off stocks, reducing the number of stocks by half.

	Number of stocks confirmed (listed stock)	Number of types sold		Number of stocks held at end of period (listed stock)	Consolidated net assets ratio (including unlisted stock holdings)
		All shares sold	A portion of shares sold		
FY2018	48	3	1	44 *1	5.8%
FY2019	44	13	0	31	5.5%
FY2020	32 (newly acquired: 1)	8	1	24	5.5%
FY2021	24	3	2	21	5.0%

### Policy for reducing cross-shareholdings in the future

- In addition to the analysis of holding objectives of individual stock, from a perspective of increasing capital efficiency, we will reduce cross-shareholdings in phases. **We have set a specific target of reducing the ratio of cross-shareholdings to consolidated net assets\*2 to 5% or less during the period of the fifth mid-term management plan (to January 31, 2023).** We intend to further reduce cross-shareholdings during the period of the sixth mid-term management plan and beyond, considering the market environment and other factors.

\*1 The number of stocks held decreased by a total of 4 due to the sale of all shares in 3 stocks as well as reorganizations that took place at certain issuers.

\*2 Refers to the ratio of the “balance sheet amount of stocks for investment held for purposes other than pure investment (including unlisted stockholdings),” stated in the annual securities report to consolidated net assets.

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