

Message from the President



We are making steady progress in offering integrated proposals of technologies, lifestyle design and services to realize our global vision to make home the happiest place in the world.

Yoshihiro Nakai

Representative Director of the Board
President, Executive Officer, CEO

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The Second Year of the Fifth Mid-Term Management Plan in Review

Overcoming Difficulties by Aligning Efforts and Integrating Technologies and Lifestyle Design for Happiness

Amid the ongoing global COVID-19 pandemic, I would like to express my deepest sympathies to those suffering from the disease and everyone whose lives have been affected.

Sekisui House is conducting its business under the global vision it set forth in 2020 to make home the happiest place in the world. Our aim is to become a global company that offers happiness by integrating technologies, lifestyle design and services based on the residential domain. Despite the challenging economic conditions brought about by the pandemic, we were able to accelerate growth in FY2021 by aligning Group-wide efforts to realize our global vision. As a result, net sales increased ¥142.6 billion year on year, or 5.8%, to ¥2,589.5 billion, and operating income increased ¥43.6 billion, or 23.4%, to ¥230.1 billion yen, both record highs.

In FY2022, the final year of the Fifth Mid-Term Management Plan, orders for the custom detached houses business continue to grow steadily, centered on Family Suite, which integrates our technologies and lifestyle design. We are conducting initiatives to promote new value in housing, including our Tomorrow's Life Museum hands-on, experience-based facilities where families can have fun imagining their future lifestyles and *Minna no Kurashi 7 Stories* lifestyle-themed model houses that complement Sekisui House technologies with a full range of lifestyle design proposals that contribute to customer happiness. In the rental housing and real estate management fees businesses, we build and manage valued assets for owners and implement initiatives to satisfy their tenants. Efforts include conducting comprehensive area-specific marketing strategies, promoting the popularization of ZEH as we do for detached houses, and providing high-quality services. In February 2022, we reorganized the Sekisui House Real Estate Group under the newly established intermediate holding company Sekisui House Real Estate Holdings, Ltd. to further improve the group's management and services while strengthening its governance.

We also achieved excellent results in the remodeling business, mainly from proposal-based and environment-based remodeling, and both the condominiums business and the urban redevelopment business posted solid results in line with the Company's plan. In the overseas business, the transfer of the marketing expertise and technology we have cultivated in Japan to U.S. subsidiary Woodside Homes is proceeding smoothly. By dispatching technicians from Japan and shifting to a lifestyle proposal-based business rollout, we have achieved a high level of customer satisfaction, and

Woodside Homes has become widely recognized as a customer-oriented premium brand. In December 2021, we made Holt, our second homebuilder in the United States, a wholly owned subsidiary and we will continue to accelerate the transfer and popularization of Sekisui House technologies.

Thoughts on Our Global Vision, Medium-to-Long-Term Policies, and Perception of Issues

Utilizing the Advantages of Sekisui House Technologies and Lifestyle Design to Realize Our Global Vision

Day after day, Sekisui House analyzes three components of happiness—health, connectedness and learning—to explore how it can provide high-added-value housing that will make home the happiest place in the world. We are currently conducting research and development under our Platform House Concept to help residents achieve happiness in the era of the 100-year lifespan. As the first phase of this process, we have begun providing our industry-leading PLATFORM HOUSE touch floor plan-linked smart home service. Installation of edge computers systems strengthens in-home security, and by using our dedicated smartphone app residents can operate devices while looking at the floor plan of their home. For example, they can check the status of the house, remotely control devices such as air conditioners, and receive notifications when other residents enter or leave the premises. Customers gave PLATFORM HOUSE touch a warm response from the very start, and we are planning to install a series of additional services in the future. For the second phase, we will provide services for health, connectedness and learning, and for the third phase we aim to start the HED-Net service, an in-home early detection network for a rapid response to acute illnesses. Details of the Platform House Concept and HED-Net were announced at CES¹ in Las Vegas and both have attracted substantial attention in Japan and overseas. We continue in our aim to help residents achieve happiness through homes that generate the intangible assets of health, skills and knowledge.

Moreover, we aim to make Sekisui House technologies the global de facto standard based on a variety of comprehensive proposals that include the technologies, lifestyles and high-value-added features that we have cultivated in Japan. For instance, although technologies for safety and security underpin all we do, the level of urgency in addressing natural disasters such as storms, floods and earthquakes differs by country or region. In the United States, earthquakes are considered a danger on the West Coast but in central and southern areas hurricanes are a problem, and temperatures vary substantially by region. To meet the diverse needs for solutions to these issues and to provide added value, we plan

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to transfer Sekisui House technologies, including SHAWOOD, which incorporates our high-level technical capabilities.

I also believe that our Family Suite concept of lifestyle design proposals will gain acceptance overseas. Most houses outside Japan are two-by-four construction, so large open spaces are not feasible. Using Sekisui House's SHAWOOD construction method, Family Suite enables a large open living area where family members can gather while spending time separately as they please, thus making home a happier place. By 2025 we are targeting sales for the overseas business of 10,000 detached houses per year, the same as for Japan. This will require collaboration with overseas companies that share our approach of integrating technologies and lifestyle design, and we are considering M&A as one means of expanding our business.

1. Consumer Electronics Show: One of the world's largest exhibitions of the latest technologies

Identifying New Material Issues

Three New Material Issues for the Sustainable Future We Pledge to Our Stakeholders

We recently reviewed our material issues to clarify the tasks that Sekisui House must carry out. I believe that material issues are not short-term; rather, they should combine the salient points of the Company's history and contemporary trends in order to provide direction for the future. Sekisui House was established to help resolve the housing shortage problem in 1960s Japan. Since then it has consistently worked to make housing safe, secure, comfortable and eco-friendly. To provide happiness in the era of the 100-year lifespan through housing, we have positioned three material issues as management priorities going forward: creation of high-quality housing stock; contributing to a sustainable society; and diversity and inclusion.

Regarding our first material issue, creation of high-quality housing stock, I consider housing to be a form of social capital equal in importance to infrastructure such as roads, railways, gas, electricity and waterworks. I therefore see Sekisui House's primary mission as providing high-quality housing that can be passed on to future residents for many years to come. This is premised on the expected role of housing to function as a safe and secure shelter that protects the lives and property of the people who live in it. Since its establishment, Sekisui House has been developing strong, highly earthquake-resistant housing to ensure customer safety and security. Customer trust in those technical capabilities reached new heights after the 1995 Great Hanshin-Awaji Earthquake, during which not even one of our houses collapsed, even

partially. Then, based on our track record in lightweight steel-frame housing, for our SHAWOOD wooden-frame houses we adopted foundation direct joints, which connect posts directly to the foundation, and announced our metal joint (MJ) system for connecting posts and beams. In 2004, we introduced base-isolated houses for greater earthquake resistance. In 2007, we developed and began sales of SHEQAS, a seismic vibration absorption system that reduces building deformation by about 50%, and it is now standard in nearly all of our lightweight steel-frame houses. These measures have given us a complete construction lineup of seismic resistance, seismic control and seismic isolation products to counter the impacts of earthquakes. In preparing for unforeseen disasters, our mission is to create high-quality housing stock that will contribute to a resource-recycling society. We will do this by maintaining and improving the asset value of housing and help bring the earthquake resistance of some 5 million detached houses up to a sufficient standard.

Insulation performance is also indispensable in the creation of high-quality housing stock. Sekisui House was among the first companies in Japan to sell comfortable, thermally insulated houses. The aluminum sashes we have provided dramatically improve airtightness compared with conventional wooden window frames. We also developed and introduced exterior wall panels that incorporate polystyrene foam that significantly improves thermal insulation performance. In our efforts to improve the comfort of homes, a commitment to delivering the highest quality and technology has kept us ahead of national standards. When attention to energy conservation rose to a new high during the 1973 oil crisis, we were at the forefront of developing advanced, energy-efficient houses. Following that, in 1996 we developed detached houses featuring large atriums and open staircases integrated into living room floor plans to provide comfort and enjoyment for residents, in addition to energy conservation. We adopted high-performance thermal insulated double glazing as standard for doors and windows, which are a weak point for insulation. Seldom used at the time, they already met Japan's new building energy standards that came into effect three years later in 1999. In 1997, the same year that COP3 was held, we began selling a house model equipped with photovoltaic power as a standard feature, adopting eco-friendly and economical rooftop solar panels with an improved design. This has led to our current promotion of ZEH. Only 13% of housing stock in Japan meets current standards for energy efficiency. As an industry leader, Sekisui House is pursuing the creation of high-quality housing stock in terms of insulation performance as well.

Decarbonization is key to our second material issue, contributing to a sustainable society.

Climate change is a global issue that substantially impacts the Earth's natural environment. We do not inherit the environment from our ancestors; we borrow it from our children. Based on the concept of building homes for the children of the future, in 1999 we announced our Environmental Future Plan, making the environment a Group-wide initiative, and in 2005 issued our Declaration of Sustainability, making a sustainable society part of our corporate vision. When The Kyoto Protocol² came into effect, we formulated our Action Plan 20 to help achieve Japan's targets and

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worked to popularize houses that contribute to the targeted 20% reduction in CO₂ emissions during occupancy. Our measures included the adoption of high thermal insulation and high-efficiency water heaters as standard features. Next, we announced our 2050 Vision targeting net zero CO₂ emissions from housing and shifted our management focus to decarbonization ahead of other companies. First, we launched the Carbon Neutral House, which targeted net zero CO₂ emissions during occupancy and was the forerunner of our current net zero energy house (ZEH). Then in 2009, we launched Green First houses that use photovoltaic power and Ene-Farm fuel cells, and began a full-scale environmental strategy called the Green First Strategy. In 2013, we launched the Green First ZERO net zero energy house, and as of FY2021 efforts to popularize it have increased the customer adoption rate to 92% of all orders for our detached houses. In addition to detached houses, we are now focusing on ZEH for rental housing, condominiums and non-residential buildings such as rental offices. We promote cutting-edge initiatives ahead of other companies, and we intend to continue leading the housing industry going forward. In all of our initiatives, we work to improve the balance among comfort, economy and environmental performance, seek benefits for residents, and nurture shared understanding and expectations with our customers. Through these initiatives, we aim to achieve carbon neutrality by 2050.

2. The protocol to prevent global warming adopted at the third session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP3) held in Kyoto in 1997

Our third material issue is diversity and inclusion. Our policy for promoting diversity encompasses three areas: promoting the active participation of female employees; encouraging the active participation of diverse human resources; and promoting diverse workstyles. Under this policy we work every day to create an environment and framework for the sustainable growth of our employees and the Group. We started full-scale efforts to promote the active participation of female employees in 2006, with the establishment of a Diversity Development Team. Our aims were to support career planning by female employees, plan training, actively hire female sales staff and promote women to managerial positions. As a support system for promoting women to managerial positions, we opened Sekisui House Women's College, which features a two-year training curriculum covering various fields. As of January 2022, the ratio of full-time female employees to total employees was 28%. This is a very high level for the construction industry, and we expect to reach about 30% in the future.

To promote diverse workstyles, in 2018 we introduced a program encouraging eligible male employees to take at least one month of childcare leave. The take-up rate has consistently been 100% since the launch of the program. The program facilitates new awareness among participants toward both work and private life, which in turn has a positive effect on our business.

As for human resource development, we positioned 2021 as the kickoff year for a variety of personnel system reforms, introducing a highly transparent evaluation system, a career interview system and a system to support employees' self-directed careers. Rather than systems in which the Company directs employees, we aim to create a corporate culture in which employees define their own career vision and have the motivation to make it a reality by taking on challenges independently.

Moreover, to make Sekisui House a more vibrant organization, I believe innovation and communication are indispensable. Innovation and communication are the keywords of SHIP,³ an awards program that we started in 2021. I can sense the steady penetration of various forward-looking ideas that have been proposed. I am certain that efforts to innovate and communicate will foster a vibrant corporate culture and lead to further enhancement of our corporate value. To make home the happiest place in the world, it is crucial for our own employees to be happy. By promoting diversity and inclusion, we will create a working environment where everyone can continue to work in their own way, happily and with peace of mind, as we work to build an organization that can strengthen and leverage diversity and autonomy.

3. Sekisui House Innovation & Performance (SHIP) Collective Communication and Innovation Awards Program

Outlook and Improvement of the Sekisui House Group's Corporate Value Going Forward

In closing, I would like to reiterate my belief that housing is social capital that should endure and be passed on to future residents for many years to come. At the same time, we aim for beauty in our houses with the idea that they should become even more attractive over time. I think that as a housing manufacturer, Sekisui House should play a role in wishing for, providing and realizing happiness for our customers, while giving shape to and clearly demonstrating to stakeholders its objective of becoming a leading company in ESG management. I am confident that the spirit of Sekisui House's philosophy of love of humanity, in which we wish for the happiness of others and make their joy our own, will continue to be passed on into the future in any era.

You can expect great things from Sekisui House as we continue making strides toward the decades ahead.