

# Corporate Governance Report

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**Sekisui House, Ltd.**

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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**

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 subjects. The Group has improved the effectiveness of its corporate governance to increase the corporate value while sustainably earning the trust of shareholders, investors and other all stakeholders, and has put in place a system that enables speedy management marked with integrity. [Principle 3.1(ii)]

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 amended in June 2021, including the sections related to the Prime Market.

### **[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. In addition, the Company shall comprehensively verify the economic rationality of transactions with parties that own cross-shareholdings to determine if it will continue these transactions. [Supplementary Principle 1.4.2]

(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 in any way by, for example, insinuating a reduction in their business relationship. [Supplementary Principle 1.4.1]

(5) Criteria for exercise of voting rights

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

Proposals which, as a result of a close scrutiny of their content, are determined to require careful consideration (anti-takeover measures, business reorganization, etc.) shall be discussed at related departments and be approved or rejected after dialogues, etc. with issuing companies. In addition, the Company will cast a negative vote for any proposals that have been determined to damage shareholder value. [Principle 1.4, Supplementary Principle 1.4.1, 1.4.2]

<Overview of the verification with regard to cross-shareholdings>

At the meeting of the Board of Directors held in October 2022, the members analyzed all listed stocks it holds as cross-shareholding (for 21 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, ROE, credit ratings and others) and importance of transactions and overall significance of owning them.

Furthermore, from the perspective of increasing capital efficiency, the Company has reduced the ratio (\*) of cross-shareholdings to consolidated net assets to 5% or less during the period of the Fifth Medium-Term Management Plan (to January 31, 2023), which is a specific target under the policy to reduce cross-shareholdings in phases. In the period of Sixth Medium-Term Management Plan (until the end of January 2026), the target is to reduce the ratio to consolidated net assets to 3% or less, with the aim of further reducing the ratio to consolidated net assets.

(\*) Refers to the ratio of the "balance sheet amount of stocks for investment held for purposes other than pure investment," (including shares not listed) stated in the annual securities report to consolidated net assets.

(Stocks sold during the fiscal year ended January 31, 2023)

Of the 21 companies analyzed, the Company has sold all shares of the 4 companies and a portion of shares of 2 company.

(Ratio of cross-shareholdings to consolidated net assets at the end of fiscal year ended January 31, 2022)

The ratio to consolidated net assets at the end of the current fiscal year is 4.6%.

[Principle 1-7] Transactions among related parties

When transactions between the Company and Directors of the Board 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 Board Director on whether or not there are any transactions with the Board Director and his/her close relatives.

[Supplementary Principle 2.4.1] Ensuring diversity in the core human resources in companies

<Policy for ensuring diversity>

The Group sets “promotion of diversity and inclusion” as one of its human resources strategies to sustain the world’s happiest company and under the slogan “innovation and communication,” aims to realize the sustained growth of both the Company and its employees enabled when everyone respects and leverages each other’s diversity and maximizes one’s abilities.

<Voluntary and measurable goals, etc. for ensuring diversity>

(1) Women

The Group considers the “active participation by women” as a crucial management strategy in contributing to the resolution of social issues and creating new value through housing.

The “Sekisui House’s Action Plan for Promotion of Active Participation by Women” sets the target of promoting at least 310 female managers throughout the Group by fiscal 2025 (March 31, 2026).

Number and percentage of female managers (\*Group basis): As of January 2023, there were 302 (4.6%) female managers. This number has progressively increased from the 141 (2.8%) in fiscal 2016, and the Group has achieved 116.2% of the target by the end of the Fifth Medium-Term Management Plan (to January 31, 2023).

\*Sekisui House, Sekisui House Real Estate Group, Sekiwa Construction Group, Sekisui House Remodeling, Ltd., and Sekisui House noie Limited

(2) Mid-career recruits

The Company is actively recruiting mid-career recruits.

Number and percentage of mid-career recruits (\*Group basis): In fiscal 2022, 603 mid-career recruits were hired. Mid-career recruits accounted for 43.5% of all recruits for the year, and 17.0% of the Company’s managerial positions.

Mid-career recruits make up 20.5% of officer positions (Operations Officers, Employed Executive Officers, and Entrusted Executive Officers). Going forward, the Company will promote a system whereby mid-career recruits are not disadvantaged in their promotion to managerial positions.

The Company, under the policy of reinforcing diversity, will continue to supplement its management personnel, DX personnel, talent to reinforce governance, etc., and raise the percentage of mid-career recruits to the total number of new hires each year.

\*Sekisui House, Sekisui House Real Estate Group, Sekiwa Construction Group, Sekisui House Remodeling, Ltd., and Sekisui House noie Limited

(3) Promotion of global human resources

The Company is actively recruiting people of all nationalities and taking into account their competence and suitability.

Furthermore, from the standpoint of reinforcing its workforce, overseas subsidiaries regularly hire personnel from within the local talent pool and continue to promote outstanding local talent to important positions. In fiscal 2022, the Company promoted locally-hired personnel to president and 5 other key positions (\*1) at our U.S. holding company for detached housing business.

At the major overseas subsidiaries (\*2), there are 261 locally-hired personnel in managerial positions(\*3) or higher, who account for 90.3% of all managerial positions employees, including personnel seconded from the Company (as of January 31, 2023).

\*1 Other key positions: C-Suite positions of the local subsidiary

\*2 US: SEKISUI HOUSE US HOLDINGS, NORTH AMERICA SEKISUI HOUSE, SH RESIDENTIAL HOLDINGS, WOODSIDE HOMES COMPANY, HOLT GROUP HOLDINGS, CHESMAR HOLDINGS; Australia: SEKISUI HOUSE AUSTRALIA HOLDINGS; China: Sekisui House (China) Co., Ltd., Sekisui House (Shenyang) Co., Ltd., Sekisui House No.1 (Shenyang) Co., Ltd., and Sekisui House No.2 (Taicang) Co., Ltd.; Singapore: SEKISUI HOUSE SINGAPORE; UK: SEKISUI HOUSE UK.

\*3 Managerial positions: Only managers who manage subordinates

<Policies for human resources development and improvement of internal environment to ensure diversity>

In order for both employees and companies to grow sustainably, in 2006, the Company declared “Human Resource Sustainability” as its basic resource policy, upholding 3 major pillars of the policy, “encouraging female employees to pursue career development,” “effectively utilizing diverse human resources,” and “promoting a variety of working styles.”

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. The Group achieved the targets ahead of schedule in 2019 and set new targets in 2021.

In recognition of the Company’s efforts in encouraging female employees to pursue career development, the Company has been selected as a Nadeshiko Brand for a total of six times, including in fiscal 2020, jointly by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange.

In April 2020, the Company established the “Sekisui House Group Human Rights Policy.” The Company promotes the creation of a working environment with free and open communication, where each employee recognizes and makes the most of each other's diversity, values, and working styles, and aims to build an organizational culture that fosters innovation. In order to achieve the above, the Group has established and been implementing specific policies and promoting system.

The Company discloses details of initiatives to promote diversity in the Value Report, the Diversity & Inclusion, etc.

< Value Report (Integrated Report) >

<https://www.sekisuihouse.co.jp/english/company/financial/library/annual/>

<Diversity & Inclusion>

[https://www.sekisuihouse.co.jp/english/diversity\\_inclusion/](https://www.sekisuihouse.co.jp/english/diversity_inclusion/)

[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.

(5) Both Funds have expressed their acceptance of Japan's Stewardship Code as an asset owner that independently allocates its assets, and request operational institutions entrusted with the management of their assets to perform stewardship activities.

[Principle 3-1] Full disclosure

(1) The Company recognizes that disclosure is the responsibility of the Board Directors, including the Independent Outside Directors of the Board, and the management executives, and 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.

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

<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 Board Directors etc. in the annual securities report and "the Sekisui House, Ltd. Basic Policy on Corporate Governance." To ensure the fairness and transparency, remuneration for Board Directors shall be resolved in line at the meetings of the Board of Directors based on the recommendations of the Personnel Affairs and Remuneration Committee, which shall be chaired by an Independent Outside Director of the Board and a majority of whose members are Independent Outside Directors of the Board.

(4) The Company shall disclose its policies for electing the candidates for Board Directors and Audit & Supervisory Board Members, etc. in "the Sekisui House, Ltd. Basic Policy on Corporate Governance." To ensure that the election and dismissal of Representative Directors of the Board and Entrusted Executive Officers are carried out in a fair and objective manner, the Board of Directors shall make decisions on them based on the recommendations of the Personnel Affairs and Remuneration Committee that is chaired by an Independent Outside Director of the Board and includes a majority of Independent Outside Directors of the Board as its members after deliberations are held by the Committee.

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

<The Materials for General Meeting of Shareholders>

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

[Supplementary Principle 3.1.3] Initiatives on sustainability

(1) Basic policy on sustainability and initiatives

The Group has defined “Make home the happiest place in the world” as its global vision, based on its long-term vision targeting 2050, “NEXT SEKISUI HOUSE 30- year Vision.” As a global company that offers integrated proposals of technologies, lifestyle design, and services based on the residential domain, the Group promotes initiatives that maximize the “happiness” of customers, employees, and society.

To achieve this vision, the Board of Directors, aiming to become a leading company in ESG (Environment, Social and Governance) management, promotes ESG initiatives by designating them as material items that underpin the Group’s management base and incorporating them into the Medium-Term Management Plan.

Upon resolution by the Board of Directors, the Group has identified the following material issues in promoting ESG management: “Creation of High-Quality Housing Stock”, “Contributing to a Sustainable Society”, “Diversity and Inclusion”, and has themes and KPIs for material issue initiatives.

The Group also analyzes medium- and long-term issues that affect the Company’s value creation with relation to sustainability, identify risk factors, position them as opportunities for future business development, and applies them to medium- and long-term planning of business strategies.

The Board of Directors established the ESG Promotion Committee, consisting of 2 or more outside committee members with expert knowledge and other members, to enhance the effectiveness of ESG efforts through means such as exchanging opinions on the progress of ESG management initiatives and issues. The details of discussions at the ESG Promotion Committee meetings are reported to and deliberated at the Board of Directors’ meetings.

Moreover, the ESG Management Promotion Headquarters, which was established in June 2020, acts as the responsible division in further promoting ESG management, based on discussions at the ESG Promotion Committee meetings and through the coordination within the Company and with Group companies both in Japan and overseas. Furthermore, the Group identified three key elements for promoting ESG management: participation of all employees, forward-thinking initiatives, and improvement of external evaluations. In addition, in order to “participation of all employees”, which is the most important point, the Group has established a platform for all employees to recognize, understand, and empathize with their actions, such as systematizing conventional dialogue and training as "ESG Basics", the basic activities that implement the creation of a foundation for ESG management.

In addition, the Group aims to help create a society that delivers maximizes customer value and contributes to SDGs by approaching social issues.

The Company discloses its initiatives on sustainability and the status of investments in human capital and intellectual property in the Corporate Governance Report, as well as the Value Report.

Regarding climate change risks and revenue-generating opportunities, the Company incorporates the TCFD Report in the Value Reports and discloses the results of analysis of risks and revenue-generating opportunities under multiple scenarios (1.5°C and 4.0°C).

(2) Investment in human capital

As a partner in creating happiness, the Group implements human resources strategies based on “Diversity and inclusion,” “Workstyle innovations,” “Support for self-directed career development,” and “happiness health management” to provide new value to customers and society.

The Company has positioned 2021 as the year one for reforming its personnel system and has revamped its

evaluation system into a highly transparent one and has introduced a double-track grade system in which employees can select whether to contribute to the organization through management or advanced expertise at their own discretion. The Company has newly established career interviews with supervisors and members on a regular basis five times a year so that employees can draw up their own career visions and take on challenges to realize them. In addition, in order to support career autonomy, the Company offers Career Autonomous Courses to employees in their first and second years of employment and in their career course selection periods.

Furthermore, the Company is working to systematically produce next-generation of business leaders through such programs as the *Keiei-juku* management training program inaugurated in 2018 to develop and select organization leaders (branch managers, head office senior managers, factory managers, etc.) and the “SHINE! Challenge Program” launched in 2019.

Additionally, in order to strengthen the management, human resource development, and organizational vitalization capabilities of each branch and team, the Company implements rank-based training for management levels to strengthen their business skills and management skills.

The Group has positioned health enhancement as the source of employee happiness and has been working on “happiness health management.” Specifically, “Happiness Health Project” (established in June 2021 under the Social Improvement Subcommittee of the ESG Promotion Committee) plays a central role in working with health insurance union, external advisors, and other organizations to identify issues, formulate Company-wide policies, formulate specific measures, and disseminate them to all employees. As a result of our efforts in “happiness health management,” including the use of AI-based medical checkup results services and a Well-being survey that enables us to visualize the happiness level of ourselves and our organization, the Company was selected to the Health & Productivity Management Outstanding Organization (White 500) for the third consecutive year (2020-2022).

### (3) Investment in intellectual property

#### <Investments>

The Group, recognizing the importance of R&D, invests ample R&D expenses primarily in the Comprehensive Housing R&D Institute, the Human Life R&D Institute, and other R&D bases, as well as make proactive capital investments.

The Group also proactively create new technologies in new business fields such as the Platform House business, through actively industry-academia collaboration and partnerships with companies in different industries..

The Group also makes proactive investments in areas that are not necessarily related to technology developments, such as the *Nattoku Kobo* Studio, which provides opportunities for hands-on experience related to the living environment, and numerous studies on the theme of happiness in order to realize our vision of "Make home the happiest place in the world," with the aim of increasing corporate value over the medium to long term. The outcome of these investments and initiatives is positioned as management resources (intellectual capital).

#### <Protection of outputs>

Among such intellectual capital, the important technologies are protected by patents and the designs to appeal to the emotions by design rights, and the symbolic names that provide satisfaction and peace of mind to customers throughout the value chain are protected by trademark rights. Moreover, the Group’s expertise and data accumulated over the years as a leading company, in addition to the opinions of our customers, are protected as trade secrets.

Furthermore, intellectual property agreements, including the handling of intellectual property rights shared with other companies, are regarded as important for determining the direction of the business and prices with business partners.

< Utilization and risk management for sustained growth >

Through measures that encompass both investments and the protection of their outcome, the Company has built up its core competencies of “technical capabilities,” “construction capabilities,” and “customer base.” In addition, with our “proprietary value chain,” which is responsible for all housing development processes, the Company is demonstrating its competitive advantage, providing value to its customers, and achieving sustainable corporate growth.

For example, even in new business models such as the SI (Skeleton and Infill) business, which leverages the strengths of local builders and the Company, intellectual capital, including patents and trademarks, supports the business in terms of revenue and growth.

Additionally, the Company shares intellectual property-related risks to be understood for its ongoing growth with Board Directors and Audit & Supervisory Board Members, and the Company has established a system to review those risks every year.

The Company, attaching greater importance than ever to these activities, established the Intellectual Property Office in August 2021 as a dedicated organization to oversee intellectual property, specialists in intellectual property, mainly through personnel who had overseen intellectual property at other companies, has been engaged in initiatives to support the businesses.

(Results of as January 31, 2023)

- Research and development expenses: 9.6 billion yen
- Number of patents held: 787,
- Number of design rights held: 359, Number of trademarks rights held: 982

[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 Board 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 20 billion yen or less
- Acquisition or development of real estate for leasing of less than 20 billion yen or less
- Borrowing of less than 20 billion yen or less
- Capital investments etc. of less than 10 billion yen or less

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

Candidates for Outside Directors of the Board shall meet not only the requirements for Outside Directors of the Board 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 4.10.1] Independence of the composition, authority and roles of the Personnel Affairs and Remuneration Committee

(i) Significance and objectives

- a) The objective of the Personnel Affairs and Remuneration Committee is to ensure fairness and transparency in human resources matters, such as in the election and dismissal of Board Directors



and Entrusted Executive Officers, as to whether the election is appropriately carried out in accordance with election policy and procedures.

- b) The objective of the Personnel Affairs and Remuneration Committee is to ensure the fairness and transparency in remuneration of Board Directors and Entrusted Executive Officers and other matters (meaning compensation for the execution of duties, regardless of form, such as remuneration and bonuses, and including property benefits other than cash, such as the granting of shares or share warrants), as to whether the remuneration appropriately reflects the evaluation of results and other factors, whether the remuneration is effective as incentives, and other matters.

(ii) Committee Members

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

The Personnel Affairs and Remuneration Committee provides recommendations on the appointment, dismissal and other personnel matters relating to Board Directors and Entrusted Executive Officers and their remuneration systems, etc., as a consultative body to the Board of Directors, and the Board of Directors makes resolutions on those matters based on such recommendations.

(iii) Details of duties

- a) The Personnel Affairs and Remuneration Committee shall hold deliberations about the items below related to human resources matters, such as the election and dismissal of Board Directors and Entrusted Executive Officers, and shall provide its opinions to the Board of Directors.
  - i. Policies related to the election and dismissal of Board Directors and Entrusted Executive Officers and changes in the policies
  - ii. Election of Board Directors
  - iii. Election and dismissal of Representative Directors of the Board
  - iv. Election and dismissal of the Entrusted Executive Officers
  - v. Establishment, revision, and abolition of the Company's important rules related to human resources matters of Board Directors and Entrusted Executive Officers, etc.
  - vi. Succession plan for the Representative Directors of the Board, etc.
  - vii. In addition to the items i through vi, matters that are specially assigned by the Board of Directors in relation to personnel matters of Board Directors and Entrusted Executive Officers and other important matters
- b) The Personnel Affairs and Remuneration Committee shall determine the amount of individual remuneration of Board Directors and Entrusted Executive Officers based on the delegation from the Board of Directors and the Committee also hold deliberations about the items below related to remuneration of Board Directors and Entrusted Executive Officers and other matters, and shall provide its opinions to the Board of Directors.
  - i. Remuneration systems of Board Directors and Entrusted Executive Officers, policies for the provision of the remuneration, etc. and changes in policy
  - ii. Proposals for the framework of remuneration for Board Directors
  - iii. Establishment, revision, and abolition of the Company's important rules related to the remuneration of Board Directors and Entrusted Executive Officers, etc.
  - iv. The key performance indicator (KPI) targets and evaluation of achievements for performance-related remuneration

- v. In addition to the items i through iv, matters that are specially assigned by the Board of Directors in relation to remunerations of Board Directors and Entrusted Executive Officers and other important matters

[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) Independent Outside Directors of the Board shall be appointed so that the ratio of Independent Outside Directors in the Board of Directors shall be one-third or more.

(3) The Board of Directors shall be joined by well-balanced members selected through the development of a skill matrix based on the business strategies and management plans, such as experts specializing in finance, accounting, laws, compliance and other relevant areas, with consideration for knowledge, experience, and ability, the number of years in office, and gender, ensuring both the compatibility with diversity and proper headcount.

The skill matrix developed by the Company is as indicated in the attachment to this report.

Also, the Company shall select prospective Board 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., and having high awareness for contributing to creating corporate value and improving company performance. Policies on selecting the candidates for Board Directors and proposals on specific prospective Board Directors shall be discussed at the Personnel Affairs and Remuneration Committee which shall be chaired by an Independent Outside Director of the Board and a majority of whose members shall be Independent Outside Directors of the Board, and determined by the Board of Directors based on the recommendations of the Committee.

The selection of prospective internal Board Directors shall be performed with consideration for the specified qualification requirements (i.e., embodying the Corporate Philosophy and having a panoramic vision) and competence requirements (i.e., having a vision to resolve external problems, innovativeness for creating new markets, being able to cooperate with various stakeholders, and the capability to develop organizations that enhance the Group's comprehensive power), and shall be discussed at the Personnel Affairs and Remuneration Committee based on requirements for human resources and an evaluation of performance.

[Supplementary Principle 4.11.2] Prerequisites for securing effectiveness of the Board of Directors and the Audit & Supervisory Board

The Board of Directors and the Audit & Supervisory Board verify the status regarding concurrent positions of each Board Director and Audit & Supervisory Board Member is within the reasonable range, and explain the status regarding the important concurrent positions of the Board Directors in the Materials for General Meeting of Shareholders.

<The Materials for 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 Board 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, 2023>

(1) Evaluation method

As in the fiscal year ended January 31, 2022, the Company hired a third-party independent evaluation company to implement an evaluation for the fiscal year ended January 31, 2023, using the method described below.

1. Questionnaire-based survey of all Directors of the Board and Audit & Supervisory Board Members (the questionnaire was prepared, distributed, and collected by the third-party organization)
2. Interviews of all Directors of the Board and Audit & Supervisory Board Members, carried out by the third-party organization (approximately one hour interview per interviewee)
3. Examination of the materials and minutes of meetings of the Board of Directors

<Major Questionnaire Items>

- Overall evaluation of the Board of Directors
- Composition of the Board of Directors
- Preparations for the meetings of the Board of Directors
- Management of the meetings of the Board of Directors
- Debate in the meetings of the Board of Directors
- Personnel Affairs and Remuneration Committee
- Supervision of business execution
- Importance of agenda items and the volume of discussion

The third-party organization implemented an evaluation and compiled the results into a report. At a meeting of the Board of Directors held in February 2023, the content of the report was explained by the evaluation company and discussed among the attendees of the meeting.

(2) Outline of results regarding the evaluation

The Board of Directors evaluated and confirmed that a high level of effectiveness has been achieved by the Board of Directors. Moreover, it confirmed that progress had been generally made on the issues indicated in the evaluation of effectiveness of the Board of Directors in the previous fiscal year.

Summary of results of the evaluation and the issues for the future are as indicated in the attachment to this report.

[Supplementary Principle 4.14.2] Trainings for Board Directors and Audit & Supervisory Board Members

The Company stipulates it as its policy that the Company will provide Board 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 of the Board take control and set up an organization in charge of investor relations.

Management executives including Representative Directors of the Board and the organization in charge of investor relations shall engage in strategic operational collaboration with the Corporate Management Planning Department, each organization attached to the Division of Finance & ESG, and 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. Dialogues shall be held with the Independent Outside Directors of the Board and the shareholders and investors when deemed necessary.

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 vital 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.

[Dialogue with Shareholders and Investors]

In accordance with the above policy, the Company strives to provide ample direct communication outside of individual meetings through such means as the provision of management plan briefing sessions and tours of factories for institutional and individual investors in addition to hosting IR meetings for institutional shareholders and investors as well as analysts. In addition, the Company holds small meetings of the Outside Directors of the Board with institutional shareholders on such topics as the business execution performance of the current management team and the reinforcement of governance.

In these dialogues, we address the primary concerns of shareholders and investors, providing an overview of business results, the market environment for domestic and overseas businesses, the Company's competitive advantages and forecasts, and the direction of the Mid-Term Management Plan, including shareholder returns and financial policies. In addition, we receive many opinions on ESG, namely, policies related to the Value Creation Process, human capital, and evaluations of ESG management and its integration into our business strategies.

The opinions and concerns of shareholders and investors, along with insights gleaned from these dialogues, are shared as appropriate by the Investor Relations Department with the Board of Directors and management team. The Company references such input when making management decisions and have been striving to reflect such input into future dialogues. Furthermore, following discussions at the Management Meetings and the Board of Directors, the Company has reflected such input in the Sixth Mid-Term Management Plan, announced in March 2023 (specifically, in capital measures and ROE management reinforcement) and applied it to enhance disclosure materials, such as Value Report 2023.

Furthermore, we disclose the status of dialogues and other details on our official website.

< Corporate Governance >

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

[Action to Realize Management Conscious of Capital Costs and Share Price]

In the Sixth Mid-Term Management Plan (FY2023–FY2025), which was announced in March 2023, we aim to sustainably enhance ROE and strengthen our cash return generation capability by enhancing resource efficiency and promoting growth investment. We will strive to reduce capital costs by further promoting ESG management and target the sustainable enhancement of corporate value, including PBR, through the synergistic effects of these initiatives.

Sekisui House has ROE as a management target indicator since it formulated its First Mid-Term Management Plan in 2010. Under the Fourth Mid-Term Management Plan (FY2017–FY2019) and Fifth Mid-Term Management Plan (FY2020–FY2022), we worked hard to enhance resource efficiency toward our management target of stably creating ROE of 10% or higher. As a result, we built a foundation for stably creating ROE of 10% or higher, as evinced by creating ROE of 11.9% in fiscal 2022, the last year of the Fifth Mid-Term Management Plan. Therefore, in the Sixth Mid-Term Management Plan, which newly began from fiscal 2023, we aim to stably create ROE of 11% or higher and achieve ROE of around 12% by fiscal 2025, the final year of the plan.

In addition, regarding performance share units (linked to medium-term performance) provided to internal Directors of the Board, we use ROE (which is a key mid-term financial indicator) and ESG management indicators (which are non-financial indicators) as performance evaluation indicators. In an effort to sustainably share value with shareholders, we set shareholding guidelines for internal Directors of the Board. As a general rule, while serving their term, Directors of the Board are obligated to continually hold shares of the Company in an amount equivalent to their base pay\* in line with a market price basis and their role. Furthermore, we disclose details of performance share units and other such topics in the Value Report and other media.

\*Base pay is double the annual basic remuneration for representative directors (including the CEO) and is the same amount as the annual basic remuneration for other Directors of the Board.

<Medium-term Management Plan>

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

< Value Report (Integrated Report) >

<https://www.sekisuihouse.co.jp/english/company/financial/library/annual/>

## 2. Capital Structure

Foreign Shareholding Ratio	30% or more
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### [Status of Major Shareholders]

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	110,823,300	17.00

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
Custody Bank of Japan, Ltd. (Trust Account)	41,344,700	6.34
SMBC Nikko Securities Inc.	24,915,700	3.82
Sekisui House <i>Ikushikai</i>	20,479,466	3.14
Sekisui Chemical Co., Ltd.	14,168,727	2.17
STATE STREET BANK WEST CLIENT - TREATY 505234	13,997,899	2.15
Japan securities finance Co., Ltd.	8,412,000	1.29
MUFG Bank, Ltd.	8,174,715	1.25
The Dai-ichi Life Insurance Company, Limited	7,903,230	1.21
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS	6,958,540	1.07

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

#### Supplementary Explanation

- The status above is the status of major shareholders as of July 31, 2023.
- Sekisui House *Ikushikai* is the Company's employee stock holding association.
- The Company own 11,145,482 treasury stock as of July 31, 2023, but we exclude it from the above major shareholders. And the ratio of shareholding is calculated deducting shares of treasury stock from the total number of shares issued.

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange (Prime Market), Nagoya Stock Exchange (Premier Market)
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	300 or more

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

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

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## 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
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#### [Directors of the Board]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	one year
Chairperson of the Board	Outside Director of the Board
Number of Directors	10
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Independent Officers Designated from among Outside Directors	5

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

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yukiko Yoshimaru	From another company											
Toshifumi Kitazawa	From another company								△			
Yoshimi Nakajima	From another company											
Keiko Takegawa	Academic											
Shinichi Abe	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 Board Directors' Relationship with the Company (2)
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Name	Designation as Independent Officer	Supplementary Explanation of Board 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.</p> <p>She has also served as Outside Board Director of Mitsui Chemicals, Inc. since June 2019, and as Outside Board Director of Daiwabo Holdings Co., Ltd. Since June 2021.</p> <p>(Independent Officer)</p>	<p>To strengthen the supervisory function of the Company with her wealth of knowledge and experience in human resource management, diversity and corporate governance, as well as wide range of global experience including management experience as a director of domestic and overseas companies and M&amp;A experience at a U.S. subsidiary of the major Japanese company.</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>

Name	Designation as Independent Officer	Supplementary Explanation of Board Director's adequacy	Reasons for Appointment
Toshifumi Kitazawa	○	<p>He served as President &amp; Board 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 Board Director of Tokio Marine Holdings, Inc. He also served as Vice Chairman &amp; Board Director of Tokio Marine &amp; Nichido Fire Insurance Co., Ltd from April 2019 to March 2022.</p> <p>Furthermore, he served as the Outside Board Director (audit and supervisory committee member) of MUFG Bank, Ltd. since June 2019, and as Outside Board Director of Mitsubishi Logistics Corporation since June 2019.</p> <p>(Independent Officer)</p>	<p>To strengthen the supervisory function of the Company with his extensive knowledge and experience in areas including global business, M&amp;A, risk management and compliance, as well as abundant achievements and experience as a manager, gained from his career as key positions at a major insurance company.</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>
Yoshimi Nakajima	○	<p>She served as President &amp; Representative Board Director of American Express Japan Co., Ltd. from April 2014 to December 2016.</p> <p>She has also served as Outside Board Director of AEON Financial Service Co., Ltd since June 2017, and as Outside Board Director of Japan Freight Railway Company since June 2018, and as Outside Board Director of ULVAC, Inc. since September 2018.</p> <p>(Independent Officer)</p>	<p>To strengthen the supervisory function of the Company with her wealth of achievements and experience as a manager, in particular her extensive experience in financial strategy, M&amp;A, and other areas from serving as the head of Asian and Japanese subsidiaries of global financial institutions, gained from her career as key positions in domestic and overseas companies, as well as her experience on the front lines of corporate management in an environment where diversity in senior management is considered to be natural.</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>

Name	Designation as Independent Officer	Supplementary Explanation of Board Director's adequacy	Reasons for Appointment
Keiko Takegawa	○	<p>She served as Director of the Gender Equality Bureau from July 2014 to December 2018, at the Cabinet Office, before joining Showa Women's University, serving as specially appointed professor of Global Business of the university, served as Dean of Faculty of Global Business of the university from April 2020 to March 2022.</p> <p>She has also served as Outside Board Director of MITSUI MINING &amp; SMELTING CO., LTD., since June 2021. She also had served as Outside Auditor of MITSUI MINING &amp; SMELTING CO., LTD. from June 2019 to June 2021.</p> <p>(Independent Officer)</p>	<p>To strengthen the supervisory function of the Company with her extensive knowledge and experience in the fields of diversity and compliance, gained from her career as key positions in the Cabinet Office where she has worked hard to realize policies related to gender equality.</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>
Shinichi Abe	○	<p>He served as Managing Board Director of Google Cloud Japan, G.K, before serving as Representative Board Director, President and CEO of MNES Inc.</p> <p>(Independent Officer)</p>	<p>To strengthen the supervisory function of the Company with his extensive knowledge and experience in the global business environment in the IT and digital fields, gained from his career.</p> <p>Having worked for an overseas consulting firm and software vendors, he was involved in the launch of Google's cloud business. At that business, he supervised its Asia-Pacific operations.</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>

**[Voluntary Committees]**

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Chairperson's Attributes
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	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 Board Directors	2	2
Outside Board Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside director of the board	Outside director of the board

Supplementary Explanation
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In conformity with the Basic Policy on Corporate Governance of the Company, a Director of the Board shall not act as both of the chairperson and the convener of the meetings of the Board of Directors, and an Independent Outside Director of the Board shall act as the chairperson 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 of the Board. The chairperson of the Committee shall be appointed by a resolution of the Board of Directors from among Outside Directors of the Board.

Currently, Mr. Toshifumi Kitazawa, Outside Director of the Board, acts as the chairperson of the meetings of the Board of Directors, and Mr. Yoshihiro Nakai, Representative Director of the Board, President, acts as the convener of the meetings.

The Personnel Affairs and Remuneration Committee consists of 2 Representative Directors of the Board, Mr. Yoshihiro Nakai and Mr. Satoshi Tanaka, and 3 Outside Directors of the Board, Ms. Yukiko Yoshimaru, Mr. Toshifumi Kitazawa and Ms. Keiko Takegawa. And Ms. Yukiko Yoshimaru acts as the chairperson of the Committee.

**[Audit & Supervisory Board Members]**

Establishment of Audit & Supervisory Board	Established
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Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	7
Number of Audit & Supervisory Board Members	5

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	3
Number of Independent Officers Designated from among Outside Audit & Supervisory Board Members	3

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
Ryuichi Tsuruta	From another company													
Takashi Kobayashi	Attorney at law										△			
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 Board Member'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 extensive knowledge and experiences in finance, accounting, public disclosure, audit and others as well as 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 meets 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.
Takashi Kobayashi	○	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. He also served as outside director of the board of Sanyo Special Steel Co., Ltd from June 2017 to June 2022. (Independent Officer)	To utilize his professional knowledge and abundant experience as a retired public prosecutor and an attorney for strengthening the audit system. The Company has elected him as an Independent Officer because he meets 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 Board Member's adequacy	Reasons for Appointment
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 Outside Audit & Supervisory Board Member of NIPPON SHOKUBAI CO., LTD. since June 2019, and as Outside Audit & Supervisory Board Member of Trusco Nakayama Corporation since March 2023. (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 meets 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
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Matters relating to Independent Officers
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#### [Incentives]

Implementation of Measures to Provide Incentives to Board Directors	Introduced Performance-linked Remuneration system
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Supplementary Explanation
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Remuneration for Board Directors excluding Outside Directors of the Board 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.
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Recipients of Share Options	-
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Supplementary Explanation

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**[Remuneration for Board Director]**

Disclosure of Individual Board Directors' Remuneration

Disclosed in part

Supplementary Explanation

The Company discloses the total amount of remuneration for the Directors of the Board and Audit & Supervisory Board Members by type in the Annual Securities Report. In addition, the total amount of remuneration is individually disclosed for those who have a total amount of consolidated remuneration of 100 million yen or more and those who are Directors (excluding outside directors) of the Board of the Company as of the consolidated settlement date.

The following 6 directors of the Board have total consolidated remuneration of 100 million yen or more, for the fiscal year ended January 2023.

Name	Position (as of January 31, 2023)	the total amount of remuneration
Yoshihiro Nakai	Representative Director of the Board	226 million yen
Yosuke Horiuchi	Representative Director of the Board	182 million yen
Satoshi Tanaka	Representative Director of the Board	162 million yen
Toshiharu Miura	Director of the Board	105 million yen
Toru Ishii	Director of the Board	105 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 systems, payment policies, etc. for Directors of the Board shall be resolved in line with the following basic policies below at the meetings of the Board of Directors based on the recommendations of the Personnel Affairs and Remuneration Committee after deliberations are held by the Committee, which shall be chaired by an Independent Outside Director of the Board and a majority of whose members shall be Independent Outside Directors of the Board.

〈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 Personnel Affairs and Remuneration Committee shall determine the total amount and individual amount of remuneration for each Director of the Board based on the delegation from the Board of Directors. In addition, the Board of Directors shall determine the key performance indicator (KPI) targets and evaluation of achievements for performance-related remuneration. etc. based on the recommendations of the Personnel Affairs and Remuneration Committee after deliberations are held by the Committee.
- c) Remuneration for Board Directors excluding Outside Board 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 ¥120 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 ROE and ESG management indicators 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.

ROE and ESG management indicators are evaluated with a weighting of 80% for ROE and 20% for ESG management indicators. ESG management indicators shall be strictly reviewed by the Personnel Affairs and Remuneration Committee to increase the objectivity and transparency of the processes for setting goals and performing evaluations.
  - 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 Director according to his/her position. The Company shall lift the Transfer Restriction if the Eligible Director loses a position as either a Board Director or an Executive Officer of the Company.
- d) In light of the role to supervise the management of the Company from the objective and independent standpoint, remuneration for Outside Directors consists of basic remuneration (fixed remuneration) and

various allowances according to the responsibilities of the chairperson of the meetings of the Board of Directors, the chairperson of the Personnel Affairs and Remuneration Committee, or the members. The level of basic remuneration and allowances are determined with reference to objective compensation market research data by external specialized agencies.

**[Supporting System for Outside Directors of the Board 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 of the Board and Outside Audit & Supervisory Board Members.
- Prior to each meeting of the Board of Directors, the Board of Directors Office (Legal Department), etc. explains the overview of the agenda of the meeting to Outside Directors of the Board, Standing Audit & Supervisory Board Members and Outside Audit & Supervisory Board Members.
- Before holding a meeting of the Board of Directors on the date of the meeting, etc., meetings of which members mainly consist of Independent Outside Directors of the Board and Independent Outside Audit & Supervisory Board members are held to exchange information and opinions. In addition, the Company has arranged opportunities and procedures to enable Independent Outside Directors of the Board to work directly or through employees, etc. with Board Directors, Executive Officers, Audit & Supervisory Board members, Accounting Auditors and other parties.
- To provide assisting in the operations of the Independent Outside Directors of the Board, the Company has established and maintained the Office of Directors of the Board and allocates staff members to the Office.
- The Company has established the Office of Audit & Supervisory Members, and several staff members including dedicated staff(s) assist the Audit & Supervisory Board Members with their duties.

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

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

0

Other Matters

None

(None of the Retired Representative Board 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**

The Board of Directors consists of 10 Board Directors (7 male Board Directors and 3 female Board Directors) including 5 Outside Directors of the Board and meet once per month in principle. In order to increase the corporate value 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, make decisions on important business execution, and establish systems, etc. for securing the sound management of the Company such as the supervision and evaluation of the duties performed by Board Directors and Executive Officers, internal control systems and risk management systems.

In order to facilitate constructive discussions and exchanges of opinions in the meetings of the Board of Directors, one of the Board Directors shall not act in principle both as the chairperson and the convener of the meetings of the Board of Directors. Therefore, Outside Director of the Board Mr. Toshifumi Kitazawa serves as the chairperson, and Representative Director of the Board, President & Executive Officer (Mr. Yoshihiro Nakai) serves as the convener.

Regarding the Composition of the Board of Directors, the Board of Directors shall have the number of members that is considered appropriate to substantial deliberations and Independent Outside Directors of the Board shall be appointed so that the ratio of Independent Outside Directors in the Board of Directors shall be

one-third or more. Also, the Board of Directors shall be joined by well-balanced members selected through the development of a skill matrix based on the business strategies and management plans, such as experts specializing in finance, accounting, laws, compliance and other relevant areas, with consideration for knowledge, experience, and ability, the number of years in office, and gender, ensuring both the compatibility with diversity and proper headcount.

In addition, as a system to assist Outside Directors of the Board in their duties, the Company has established the Office of Directors of the Board and assigned several employees to it.

## 2. Audit & Supervisory Board

The Audit & Supervisory Board consists of 5 Members including 3 Outside Audit & Supervisory Board Members (4 male Members and 1 female Member). The Board establishes the audit plan and systematically carries out interviews with Board Directors, Executive Officers, heads of main branches, and Board 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. 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 engages in mutual cooperation to ensure all audit activities are carried out efficiently and effectively.

The Office of Audit & Supervisory Board Members was established as a dedicated organization to which several employees including full-time staff are allocated for assisting Audit & Supervisory Board operations. The independence of the relevant staff members in carrying out their duties shall be ensured in such a way that they are kept outside the line of control or orders from parties other than the Audit & Supervisory Board members and the Office of Audit & Supervisory Board Members, when necessary for the Company to handle human resources matters of the staff members, opinions of the Audit & Supervisory Board Members need to be heard.

## 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 Board Directors and Executive Officers and their remuneration to ensure the fairness and transparency. In addition, the Committee, based on the delegation from the Board of Directors, determines the amount of remuneration for individual Directors of the Board and Entrusted Executive Officers.

The Committee currently consists of 2 Representative Directors of the Board and 3 Independent Outside Directors of the Board and Ms. Yukiko Yoshimaru, Independent Outside Director of the Board, serves as the Chairperson of the Committee.

## 4. Management Meeting

The Company has established a deliberative body to actively exchange opinions for the purposes of holding prior deliberations on important matters to be submitted to the Board of Directors, making decisions on the execution of certain operation matters based on management policies and strategies, and sharing information on business execution policies and issues.

Entrusted Executive Officers attend the meetings. In addition, Outside Directors of the Board and Audit & Supervisory Board Members may voluntarily attend the meetings as observers. Depending on the agenda, the attendance of Executive Officers and Operational Officers is requested, and actively exchange opinions takes place.

## 5. ESG Promotion Committee

The Company has defined “Make home the happiest place in the world” as its global vision, and to achieve this vision, the Company aims to become a leading company in ESG (environmental, social and governance) management.

The ESG Promotion Committee consists of 2 or more outside committee members with expert knowledge, Internal Board Directors, Executive Officers, and managers, etc., and the Committee enhances the effectiveness of ESG efforts through means such as exchanging opinions on the progress of ESG management initiatives and issues.

In addition, the Company has established the ESG Management Promotion Headquarters, which works to further promote ESG management based on discussions at the ESG Promotion Committee and in cooperation within the Company and with domestic and overseas Group companies. We disclose the details of our efforts by issuing the Value Report, etc. every year.

#### 6. Risk Management Committee

As a consultative body to the Board of Directors, the Committee aims to create appropriate risk management systems and ensure the effectiveness of their operation. The Committee monitors the risk management status of the entire Group and provides opinions to the Board of Directors as necessary. In the risk recognition process, the Committee creates a risk map based on the two perspectives of the frequency of risk occurrence and the degree of impact on the Group, identifies priority risk items in the themes of quality management, information security, compliance, human rights, crisis response, environment, and labor laws and labor management, and conducts monitoring and verification of these risks at the monthly meetings.

The Quality Management Committee and Information Security Committee have been established under the umbrella of the Risk Management Committee to deliberate from specialized perspectives. The content of their deliberations is reported to the Risk Management Committee.

#### 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 Board 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 (Continuous audit period: Since August 1, 1970). 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, 2023 and those who assisted with their duties.

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

Shin Ichinose, Yasuhiro Kozaki, and Yusaku Iriyama

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

16 certified public accountants and 49 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 of the Board 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. With the aim of accelerate the management and creating a management structure that can accurately respond to a highly volatile economic condition and market environment, the Company introduced an executive officer system.

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 Board 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	The Company plans to first disclose a convocation notice by electronic means (to be published on the Company's website) in the Company's effort to be completed four weeks prior to the date of a general meeting of shareholders, and to subsequently mail a convocation notice.
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 Materials for 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 of the Board 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 of the Board 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 5 times each year in Europe, North America, Asia and other regions, which is attended by the Representative Directors of the Board, 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, Value Report.</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: Hiroyuki Kawabata, Head of Investor Relations Department</p>	

	Supplementary Explanations	Explanation by Representative
Other	<p>In May 2020, for the first time the Company has published the Integrated Report that covers financial and non-financial information exhaustively. In 2022, we combined the existing Integrated Report with the Sustainability Report to issue the "Value Report" (Integrated Report), which referred to corporate value by disclosing financial and non-financial information and a wealth of data under a new method.</p> <p>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.</p>	

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

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in Internal Provisions, etc.	<p>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.</p>
Implementation of Environmental Activities, CSR Activities, etc.	<p>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 Board Directors and Executive Officers, etc., to promote ESG management.</p> <p>Under the ESG Promotion Committee, three ESG committees ("Environmental Committee", "Social Improvement Committee" and "Governance Committee") take company-wide activities.</p> <p>The details of activities are disclosed in Value Report, etc. issued in May every year.</p>

	Supplementary Explanations
Formulation of Policies for Information Provision to Stakeholders	<p>“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.</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 April 27, 2021)

1. System which ensures that execution of duties by Board 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, the Articles of Incorporation, and other corporate ethics, the Company sets forth the Corporate Code of Conduct and the Corporate Ethics Guidelines of Sekisui House Group and strives to spread awareness thereof to all officers and employees of the Group, including overseas subsidiaries (which means the Company and our consolidated subsidiaries).
- (2) The Company will provide regular training and make thorough efforts to ensure that Board 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 Board 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 Board 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 Directors of the Board.
- (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 Board Directors and Executive Officers shall be maintained and controlled

Board 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 Board 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 Board Directors and Executive Officers decided the execution of duties (approval documents etc.); and
- c. Other important documents relating to execution of duties by Board 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 Board 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 Board Directors and Executive Officers where possible.
  - (2) The Board of Directors of the Company or its subsidiaries or Management Meeting of the Company shall actively exchange opinions on important matters to ensure appropriate decision-making.
  - (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 Board 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 Board 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 (including electromagnetic methods) 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 Board Directors etc. of the subsidiaries shall be reported to the Company
- (1) The departments managing subsidiaries of the Company will require subsidiaries to report on their 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 Board 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 Board 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 Board Directors and employees report to Audit & Supervisory Board Members

- (1) Board 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) Board 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> (FY2022 (2022/2-2023/1))

1. Initiatives for compliance and risk management

- The Company makes efforts to have officers 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 that contain these therein (including electronic methods).
- The Company holds regular training sessions on compliance and risk management for officers and employees of the Company and its subsidiaries.
- The Risk Management Committee, as a consultative body to the Board of Directors, summarizes and verifies the status of risk management system and provides necessary advice for the purpose of ensuring the appropriate construction of a risk management system for the entire Group and the effective operation of this system. In view of the importance of quality management and information security, the Quality Management Committee and Information Security Committee have been established under the umbrella of the Risk Management Committee to deliberate from specialized perspectives. The content of their deliberations is reported to the Risk Management Committee. The activities of these committees are reported periodically to the Board of Directors. During the fiscal year under review, meetings of the Risk Management Committee were convened 10 times.

- As the whistleblowing system to report to internal or external help lines, the Company has set up Sekisui House Group Compliance Helpline for the Company and its subsidiaries in Japan, as well as Sekisui House Global Helpline for its overseas subsidiaries.
2. Initiatives for ensuring efficient execution of duties
    - The Board of Directors meetings are generally convened monthly, and the meetings were held 12 times during the fiscal year under review
    - Important matters are brought to the Management Meeting for appropriate decision-making based on active discussions before the Board of Directors meetings' resolution. During the fiscal year under review, the Management Meetings were held 13 times.
  3. Initiatives to ensure the due execution of duties in the Group
    - The departments managing subsidiaries of the Company require irregular or regular reporting of the status of the business execution of each subsidiary and develop operational and other standards in collaboration with other relevant departments of the Company.
    - Each department of the Company guides and supervises the subsidiaries, and the Company dispatches Board Directors or Audit & Supervisory Board Members to supervise and audit the execution of duties of some subsidiaries.
  4. Audit by the Audit & Supervisory Board Members
    - The Audit & Supervisory Board establishes the audit plan and systematically carries out interviews with Board Directors, Executive Officers, heads of main branches, and Board Directors of subsidiaries, etc., concerning risks and issues of their respective operations, based on the audit plan. Furthermore, it conducts field audits of each branch as needed.
    - The Audit & Supervisory Board Members keep close contact with the Internal Audit Department through exchange of opinions and meet Accounting Auditor regularly, and these three parties cooperate with each other so that audit by each party shall be conducted efficiently and effectively.
    - 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 engage in necessary assistance work and follow-ups in order for Audit & Supervisory Board Members to execute duties such as management of the meetings of Audit & Supervisory Board and demands of audit report.

## 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
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Supplementary Explanation

The Company has not implemented any anti-takeover measures.

### 2. Other Matters Concerning Corporate Governance System

None



# Composition of the Board of Directors, Policies and Procedures for Selection of Board Director Candidates and Skill Matrix

## Composition of the Board of Directors

1. The Board of Directors shall have the number of members that is considered appropriate to substantial deliberations
2. Independent Outside Directors of the Board shall be appointed so that the ratio of Independent Outside Directors in the Board of Directors shall be one-third or more.
3. The Board of Directors shall be joined by well-balanced members selected through the development of a skill matrix based on the business strategies and management plans, such as experts specializing in finance, accounting, laws, compliance and other relevant areas, with consideration for knowledge, experience, and ability, the number of years in office, and gender, ensuring both the compatibility with diversity and proper headcount.

## Stance on and Procedures for Selection of Prospective Directors of the Board

- The Company shall select prospective Directors of the Board 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., and having high awareness for contributing to creating corporate value and improving company performance.
- The stance on the selection of prospective Directors of the Board shall be discussed at the Personnel Affairs and Remuneration Committee, an advisory body to the Board of Directors which shall be chaired by an Independent Outside Director of the Board and a majority of whose members shall be Independent Outside Directors of the Board, and determined by the Board of Directors based on the recommendations of the Committee.
- A proposal on specific prospective Directors of the Board shall be discussed at the Personnel Affairs and Remuneration Committee and determined by the Board of Directors based on the recommendations of the Committee.
- The selection of prospective internal Directors of the Board shall be performed with consideration for the specified qualification requirements (i.e., embodying the Corporate Philosophy and having a panoramic vision) and competence requirements (i.e., having a vision to resolve external problems, innovativeness for creating new markets, being able to cooperate with various stakeholders, and the capability to develop organizations that enhance the Group's comprehensive power), and shall be discussed at the Personnel Affairs and Remuneration Committee based on requirements for human resources and an evaluation of performance.

## Process for Selection of New Candidates for Outside Board Director

In consideration of the objectivity and transparency of the selection of new candidates for Outside Director of the Board, the candidates shall be nominated through the following process by the Personnel Affairs and Remuneration Committee.

- (i) Confirm and review as necessary the reasons for selecting skill items (skill matrix)
- (ii) Determine targets for selecting new candidates for Outside Director of the Board based on the skill matrix
- (iii) Scrutinize the candidate profiles based on the selection targets and deliberate on narrowing down candidates
- (iv) Have each member of the Committee interview new candidates for Outside Director of the Board and share the results among the Committee members

## Reasons for selecting each item in the skill matrix

Skill category	Reason for selection
Corporate management Business strategy	The Company is a leading company in the housing industry with the cumulative number of homes built exceeding 2.50 million. In order to formulate a sustainable growth strategy amidst a drastically changing business environment, Board Directors with management experience and a proven track record in the housing, construction, and urban development fields are needed. In addition, in order to realize and promote the global vision of "Propose happiness through the integration of technologies, lifestyle design and services," the Company needs Board Directors with experience in different industries, especially management experience and a proven track in the field of consumer services such as health, connection, and learning as well as knowledge and experience that contribute to the transformation of business models through the use of digital technology.
International business Overseas insight	In order to formulate growth strategies and supervise the management of the international business, which is a growth area, it is necessary to have Board Directors who have experience in overseas business management and extensive knowledge and experience in overseas cultural life and business environment.
Financial strategy and accounting	Board Directors with solid knowledge and experience in the fields of finance and accounting are needed to formulate financial strategies that will not only ensure accurate financial reporting, but also build a solid financial foundation, promote growth investments(including M&A)for sustainable enhancement of corporate value, and enhance shareholder returns.
Technology and Environment Innovation	In order to realize the supply of high-quality housing that combines safety, security, and comfort with advanced technology, and to further advance and develop our advanced environmental technology and solid construction capabilities, the Company needs Board Directors who have a track record of various innovations along with the knowledge and experience to enable proactive efforts to address global environmental issues from a corporate management perspective.
Improvement in sociability Human resources development Diversity	In order to provide homes that make our customers feel more content and address various social challenges through its business activities, the Company needs to develop human resource strategies that enable each employee to maximize their potential, and the Company needs Directors of the Board with solid knowledge and experience in the field of human resources development, including the promotion of diversity, equity and inclusion.
Governance Risk management Compliance	The establishment of an appropriate governance system is the foundation for sustainable enhancement of corporate value, and in order to improve the effectiveness of management supervision by the Board of Directors, Board Directors with solid knowledge and experience in the fields of corporate governance, risk management, and compliance are needed.

# Skill Matrix of the Board of Directors

Name of Director	Corporate management Business strategy	International business Overseas insight	Financial strategy and accounting	Technology and environment Innovation	Improvement in sociability Human resource development Diversity	Governance Risk management Compliance
<b>Yoshihiro Nakai</b> Representative Director of the Board, President & Executive Officer, CEO Member, Personnel Affairs and Remuneration Committee	●		●		●	●
<b>Yosuke Horiuchi</b> Representative Director of the Board, Vice Chairman & Executive Officer	●		●	●	●	
<b>Satoshi Tanaka</b> Representative Director of the Board, Executive Vice President & Executive Officer, Member, Personnel Affairs and Remuneration Committee	●	●		●	●	●
<b>Toru Ishii</b> Director of the Board & Senior Managing Officer	●	●			●	
<b>Hiroshi Shinozaki</b> Director of the Board & Senior Managing Officer	●			●		●
<b>Yukiko Yoshimaru</b> Outside Director of the Board Chairperson, Personnel Affairs and Remuneration Committee	●	●			●	●
<b>Toshifumi Kitazawa</b> Outside Director of the Board Chairperson, Board of Directors, Member, Personnel Affairs and Remuneration Committee	●	●	●			●
<b>Yoshimi Nakajima</b> Outside Director of the Board	●	●	●		●	
<b>Keiko Takegawa</b> Outside Director of the Board Member, Personnel Affairs and Remuneration Committee				●	●	●
<b>Shinichi Abe</b> Outside Director of the Board	●	●		●	●	

## Overview of the Evaluation Results for Fiscal Year 2022

### Evaluation method

As in the fiscal year ended January 31, 2022, the Company hired a third-party independent evaluation company to implement an evaluation for the fiscal year ended January 31, 2023, using the method described below.

1. Questionnaire-based survey of all Directors of the Board and Audit & Supervisory Board Members (the questionnaire was prepared, distributed, and collected by the third-party organization)
2. Interviews of all Directors of the Board and Audit & Supervisory Board Members, carried out by the third-party organization (approximately one hour interview per interviewee)
3. Examination of the materials and minutes of meetings of the Board of Directors

#### <Major Questionnaire Items>



- Overall evaluation of the Board of Directors
- Composition of the Board of Directors
- Preparations for the meetings of the Board of Directors
- Management of the meetings of the Board of Directors
- Debate in the meetings of the Board of Directors
- Personnel Affairs and Remuneration Committee
- Supervision of business execution
- Importance of agenda items and the volume of discussion

The third-party organization implemented an evaluation and compiled the results into a report. At a meeting of the Board of Directors held in February 2023, the content of the report was explained by the evaluation company and discussed among the attendees of the meeting.

# Overview of the Evaluation Results for Fiscal Year 2022

## (1) Conclusion

The Board of Directors evaluated and confirmed that a high level of effectiveness has been achieved by the Board of Directors. Moreover, it confirmed that progress had been generally made on the issues indicated in the evaluation of effectiveness of the Board of Directors in the previous fiscal year.

Issues for the Fiscal Year Ended January 31, 2023	Initiatives and Issues Confirmed Through the Board of Directors Evaluation	Progress
<p>1</p> <p><b>Expansion of discussions in a long-term and medium-term perspective</b></p>	<p>Progress was confirmed through measures to make discussions more fulfilling such as thoroughly incorporating a long-term perspective and the viewpoints of Outside Directors.</p> <p>Main initiatives:</p> <ul style="list-style-type: none"> <li>■ The establishment of the Sixth Mid-Term Management Plan progressed through a process of debating strategies for the next three years, after a discussion of the long-term picture including the past 60 years and the coming 30 years.</li> <li>■ Independent Outside Directors of the Board were involved in extensive discussions from an early stage of the process of formulating the Mid-Term Management Plan.</li> <li>■ To expand discussions, specialized forums to discuss the Mid-Term Management Plan, including Independent Outside Directors of the Board, were established in addition to meetings of the Board of Directors.</li> </ul> <p>Further expansion on discussions regarding finance strategy is expected.</p>	<p></p> <p><b>Improved</b></p>
<p>2</p> <p><b>Strengthening risk management and group governance</b></p>	<p>A new governance structure was launched through Sekisui House Real Estate Holdings, Ltd. from the fiscal year ended January 31, 2023. In addition to smooth and rapid progress on governance reforms, progress was confirmed in areas such as deeper discussions by the Board of Directors on group governance with the integration of the Sekisui House Construction Group.</p> <p>Main initiatives:</p> <ul style="list-style-type: none"> <li>■ Coordination with the Audit &amp; Supervisory Board was reinforced to strengthen group governance, and discussion by the Board of Directors was expanded.</li> <li>■ Discussions were carried out regarding matters such as the deployment of a section responsible for auditing in business headquarters, the introduction of Human Resources for Governance at Group companies, and the adjustment of incentives, through discussions and deliberation on the integration of the Sekisui House Construction Group and restructuring.</li> <li>■ In the fiscal year ended January 31, 2023, the Internal Audit Divisions reported to the Board of Directors in accordance with Japan's Corporate Governance Code and vigorous debate was carried out, including the perspective of Outside Directors of the Board. The Board of Directors followed up on continuing reporting to the executive team, and more extensive consideration concerning the frequency of reports is expected in the future.</li> </ul> <p>Looking ahead, further discussions on securing and developing Human Resources for Governance is expected from a medium to long-term perspective for the purpose of focusing on horizontal expansion among other Group companies including those overseas.</p>	<p></p> <p><b>Improving</b></p>

# Overview of the Evaluation Results for Fiscal Year 2022

## (2) Strengths supporting the effectiveness of the Board of Directors

Based on the evaluation made by the third-party organization, the Board of Directors confirmed that its effectiveness was supported by the “strengths” shown in items 1 to 4 below.

Strengths	Details of Strengths (Observations by the Third-party Organization)
<p>1</p> <p><b>Strong commitment to strengthening governance</b></p>	<ul style="list-style-type: none"> <li>■ Senior management has a strong will to strengthen corporate governance.</li> <li>■ Outside Officers (Directors of the Board and Audit &amp; Supervisory Board Members) have been selected who are able to commit themselves to strengthening corporate governance.</li> </ul>
<p>2</p> <p><b>Clarification of the role of the Board of Directors</b></p>	<ul style="list-style-type: none"> <li>■ All members of the Board of Directors clearly share the basic governance policy of the “moderate separation of supervision and execution” based on the current state of Sekisui House.</li> </ul>
<p>3</p> <p><b>Contribution by Independent Outside Directors of the Board</b></p>	<ul style="list-style-type: none"> <li>■ The Independent Outside Directors of the Board are committed to Sekisui House.</li> <li>■ The diversity of Independent Outside Directors of the Board is outstanding.</li> <li>■ The quality discussions are ensured through the attendance of Outside Officers at the Management Meeting and expansion of opportunities for off-site discussion.</li> </ul>
<p>4</p> <p><b>Outstanding management of the Board of Directors</b></p>	<ul style="list-style-type: none"> <li>■ The Chairman of the Board of Directors has an outstanding personality and demonstrates leadership at forums including those outside the Board of Directors.</li> <li>■ The Chairman of the Board of Directors promotes vigorous discussions.</li> <li>■ The function of the secretariat underpins governance reforms.</li> </ul>

# Overview of the Evaluation Results for Fiscal Year 2022

## (3) Issues for the further enhancement of effectiveness

Based on the findings and proposals made by the third-party organization, the Board of Directors confirmed that the items shown below are the issues and initiatives for consideration in the fiscal year ending January 31, 2024.

Issues for the Fiscal Year Ending January 31, 2024	Details of Issues (Observations by the Third-party Organization)	Initiatives for Consideration
<p>1</p> <p><b>Discussion of strategy from a Group-wide perspective</b></p>	<ul style="list-style-type: none"> <li>■ There is insufficient discussion of finance strategy incorporating the balance sheets, cash flows, and capital efficiency. Strengthening financial literacy among both supervisory and executive teams is expected.</li> <li>■ There is room for extensive discussions on medium to long-term business strategy from a broad perspective, including sharing and utilizing customer assets held across the entire Group.</li> <li>■ There is room for more strategic discussion concerning the DX and human resources development already underway.</li> </ul>	<ul style="list-style-type: none"> <li>• To share agenda items for discussion across the Group.</li> <li>• To secure insight into matters such as capital cost management and expand discussions as the Board of Directors.</li> <li>• To strengthen the CFO function on the executive side is expected.</li> </ul>
<p>2</p> <p><b>Supervision of execution concerning risk management and group governance</b></p>	<ul style="list-style-type: none"> <li>■ The design of a cross-company system of group governance is desired.</li> <li>■ It will be effective to monitor the promotion of integration processes at the Sekisui House Real Estate Group and the Sekisui House Construction Group, analyze their success factors and carry out a PDCA cycle.</li> <li>■ It is necessary to increase the opportunities for reporting by the Internal Audit Divisions.</li> </ul>	<ul style="list-style-type: none"> <li>• To expand discussions regarding strategies to strengthen group governance.</li> <li>• To follow up on the progress of implementation regarding risk management and group governance.</li> <li>• To discuss the optimal manner and frequency of reporting by the Internal Audit Divisions.</li> </ul>
<p>3</p> <p><b>Advance the “moderate separation of supervision and execution”</b></p>	<ul style="list-style-type: none"> <li>■ By actively involving Independent Outside Directors of the Board in corporate decision-making processes and aiming for the “moderate separation of supervision and execution,” the Company has progressively strengthened its governance based on its issues. In the future, an increasing range of situations will require “executive autonomy” to respond to increasingly sophisticated business issues of the Company.</li> <li>■ The Board of Directors must advance the Company’s governance by proceeding with the delegation of authority to the executive team and shifting its focus to the monitoring of execution.</li> </ul>	<ul style="list-style-type: none"> <li>• To advance the method of Independent Outside Directors of the Board’s involvement through greater executive autonomy.</li> <li>• To clarify important themes for more extensive discussion by the Board of Directors.</li> <li>• To implement new methods of deliberation by the Board of Directors (such as collective deliberation), narrowing-down of proposals, and more modulated and lively discussions.</li> </ul>

