

Sekisui House Group

Company Presentation for FY2021



March 5, 2021

Fifth Mid-Term Management Plan

Management Direction

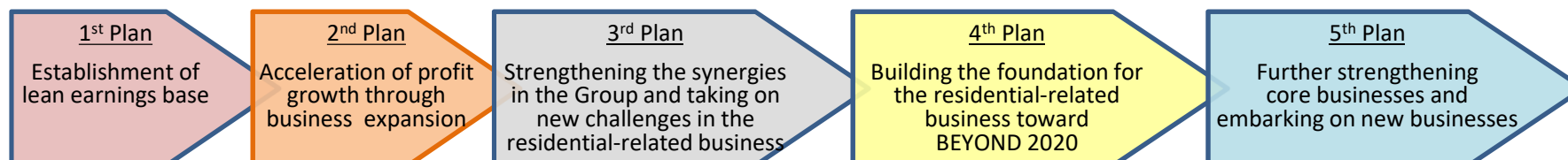
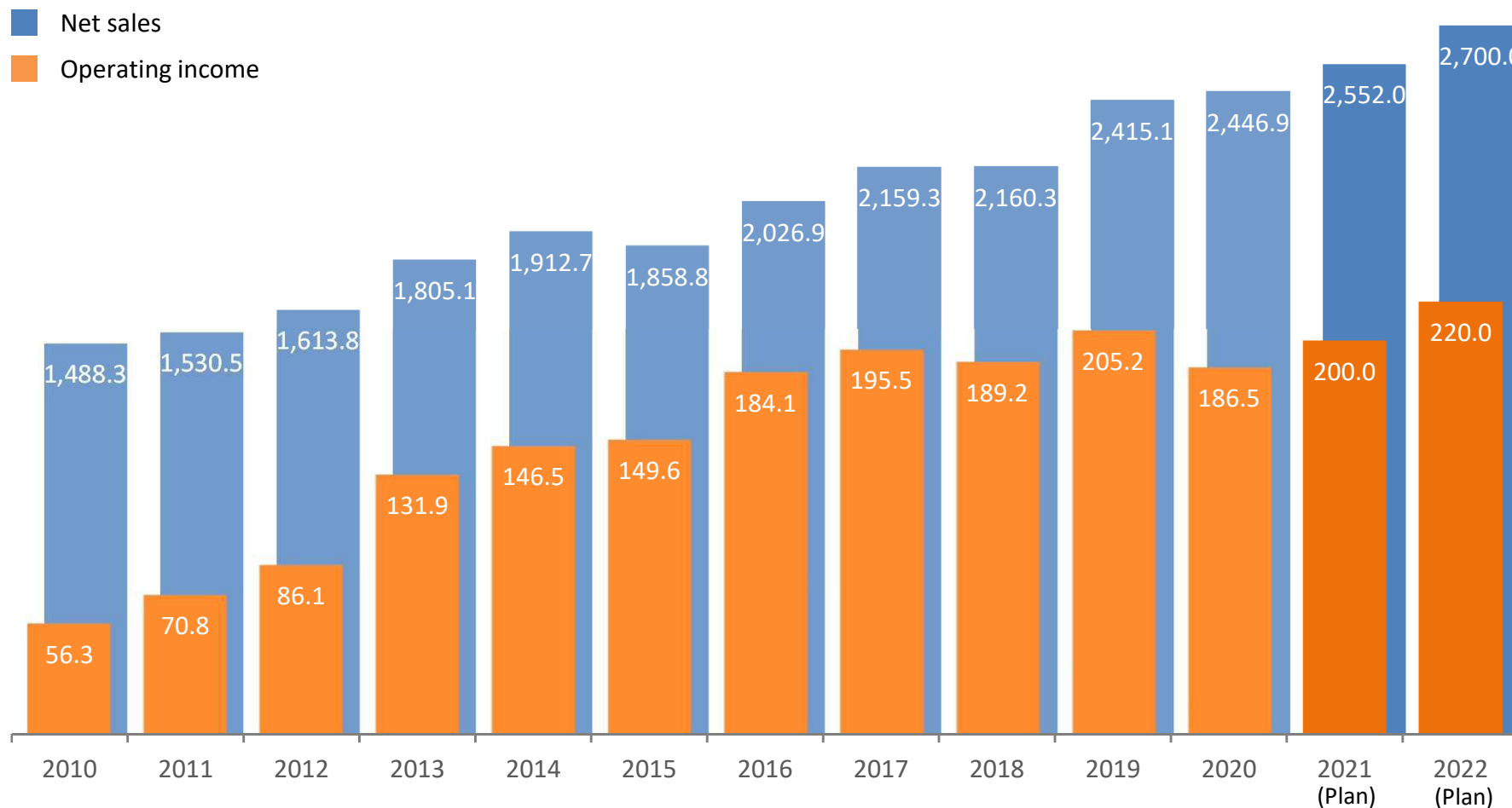
**Deployment of growth strategies
focused on the residential business domain**

Fundamental Policy of Fifth Mid-Term Management Plan

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

Progress in Fifth Mid-Term Management Plan

(Billions of yen)



Earnings Results Compared to Plan (by Segment)

(Billions of yen)

		FY2020								Compared to revised plan		
		Initial plan		Revised plan			Results			Net sales	Operating income	Operating margin
		Net sales	Operating income	Net sales	Operating income	Operating margin	Net sales	Operating income	Operating margin			
Built-to-Order Business	Custom detached houses	346.0	27.5	305.0	25.0	8.2%	323.3	32.2	10.0%	18.3	7.2	1.8p
	Rental housing	380.0	50.0	362.0	45.0	12.4%	358.7	47.0	13.1%	(3.2)	2.0	0.7p
	Architectural / Civil engineering	325.0	16.5	312.0	15.5	5.0%	302.8	16.0	5.3%	(9.1)	0.5	0.3p
	Subtotal	1,051.0	94.0	979.0	85.5	8.7%	984.9	95.3	9.7%	5.9	9.8	1.0p
Supplied Housing Business	Remodeling	162.5	25.0	144.5	20.5	14.2%	141.0	20.4	14.5%	(3.4)	(0.0)	0.3p
	Real estate management fees	556.5	46.0	556.5	46.0	8.3%	557.6	43.8	7.9%	1.1	(2.1)	(0.4p)
	Subtotal	719.0	71.0	701.0	66.5	9.5%	698.7	64.3	9.2%	(2.2)	(2.1)	(0.3p)
Development Business	Houses for sale	139.0	9.0	127.0	7.0	5.5%	139.1	7.5	5.5%	12.1	0.5	0.0p
	Condominiums	84.0	10.0	84.0	10.0	11.9%	77.0	8.8	11.4%	(6.9)	(1.1)	(0.5p)
	Urban redevelopment	107.0	20.0	104.0	17.0	16.3%	104.9	16.5	15.8%	0.9	(0.4)	(0.5p)
	Subtotal	330.0	39.0	315.0	34.0	10.8%	321.1	32.9	10.3%	6.1	(1.0)	(0.5p)
Overseas Business		410.0	46.0	350.0	34.9	10.0%	370.6	39.7	10.7%	20.6	4.8	0.7p
Other Businesses		75.0	1.0	70.0	(1.9)	(2.7%)	71.3	(2.4)	(3.5%)	1.3	(0.5)	(0.8p)
Eliminations and back office		-	(45.0)	-	(44.0)	-	-	(43.3)	-	-	0.6	-
Total		2,585.0	206.0	2,415.0	175.0	7.2%	2,446.9	186.5	7.6%	31.9	11.5	0.4p

Earnings Plan (by Segment)

(Billions of yen)

		FY2020 Results			FY2021 Plan					FY2022 Plan (Announced in MMP*)		
		Net sales	Operating income	Operating margin	Announced in MMP*		Net sales	Operating income	Operating margin	Net sales	Operating income	Operating margin
					Net sales	Operating income						
Built-to-Order Business	Custom detached houses	323.3	32.2	10.0%	365.0	32.5	344.0	37.0	10.8%	370.0	33.5	9.1%
	Rental housing	358.7	47.0	13.1%	400.0	55.0	388.5	55.0	14.2%	400.0	55.5	13.9%
	Architectural / Civil engineering	302.8	16.0	5.3%	329.0	17.5	315.5	13.0	4.1%	334.0	18.0	5.4%
	Subtotal	984.9	95.3	9.7%	1,094.0	105.0	1,048.0	105.0	10.0%	1,104.0	107.0	9.7%
Supplied Housing Business	Remodeling	141.0	20.4	14.5%	167.0	26.5	167.0	26.5	15.9%	174.0	28.0	16.1%
	Real estate management fees	557.6	43.8	7.9%	584.0	51.0	576.0	50.0	8.7%	605.0	53.0	8.8%
	Subtotal	698.7	64.3	9.2%	751.0	77.5	743.0	76.5	10.3%	779.0	81.0	10.4%
Development Business	Houses for sale	139.1	7.5	5.5%	149.0	12.0	163.0	11.0	6.7%	155.0	12.5	8.1%
	Condominiums	77.0	8.8	11.4%	87.0	11.5	84.0	11.5	13.7%	87.0	10.0	11.5%
	Urban redevelopment	104.9	16.5	15.8%	88.0	14.0	103.0	11.0	10.7%	112.0	14.0	12.5%
	Subtotal	321.1	32.9	10.3%	324.0	37.5	350.0	33.5	9.6%	354.0	36.5	10.3%
	Overseas Business	370.6	39.7	10.7%	331.0	35.5	333.0	30.5	9.2%	382.0	43.0	11.3%
	Other Businesses	71.3	(2.4)	(3.5%)	78.0	1.5	78.0	0.0	0.0%	81.0	1.5	1.9%
	Eliminations and back office	-	(43.3)	-	-	(47.0)	-	(45.5)	-	-	(49.0)	-
	Total	2,446.9	186.5	7.6%	2,578.0	210.0	2,552.0	200.0	7.8%	2,700.0	220.0	8.1%

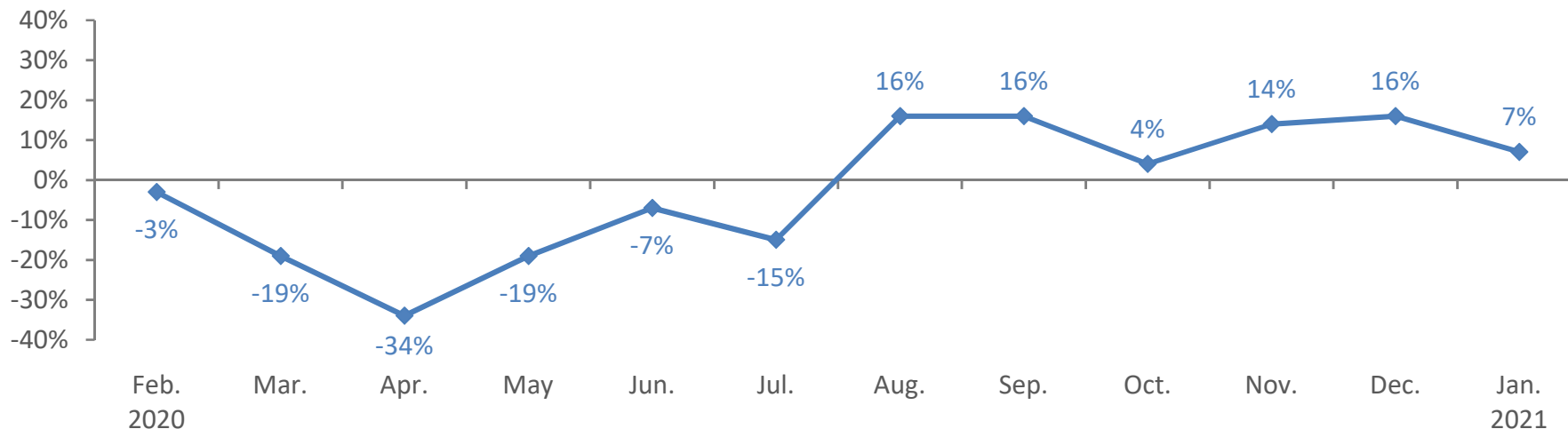
* MMP : Fifth Mid-Term Management Plan

[Built-to-Order Business] Order Status of Custom detached houses



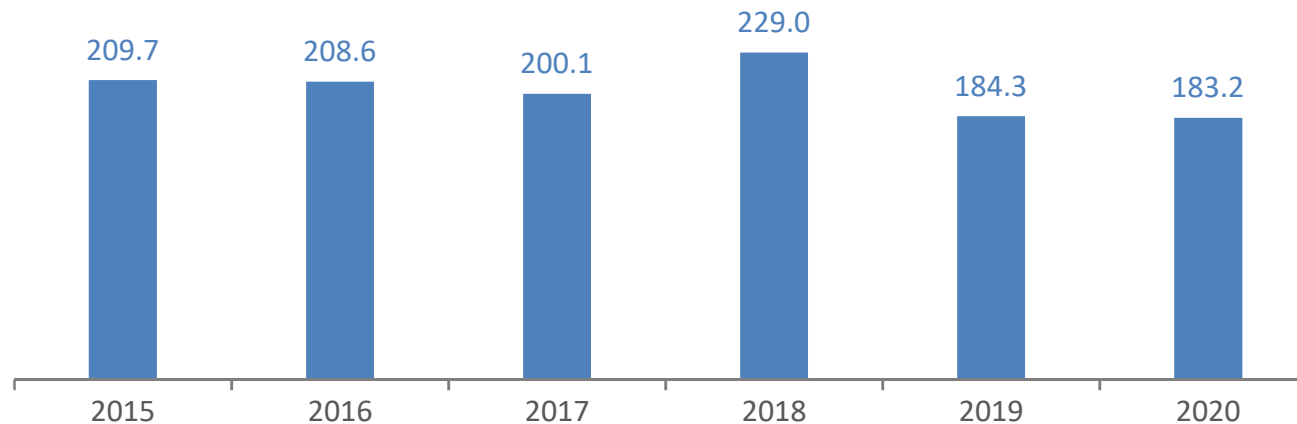
Trend in Monthly Order (year-on-year changes based on preliminary figures)

➤ Orders for custom detached houses recovered from August. Orders grew year-on-year for six consecutive months.



[Trend in Order backlog]

(Billions of yen)



[Built-to-Order Business] Custom detached houses



Key initiatives	<ol style="list-style-type: none"> 1. Implement three brand strategies 2. Advance the CRM (Customer Relationship Management) strategy 3. Enhance technologies, lifestyle design and services
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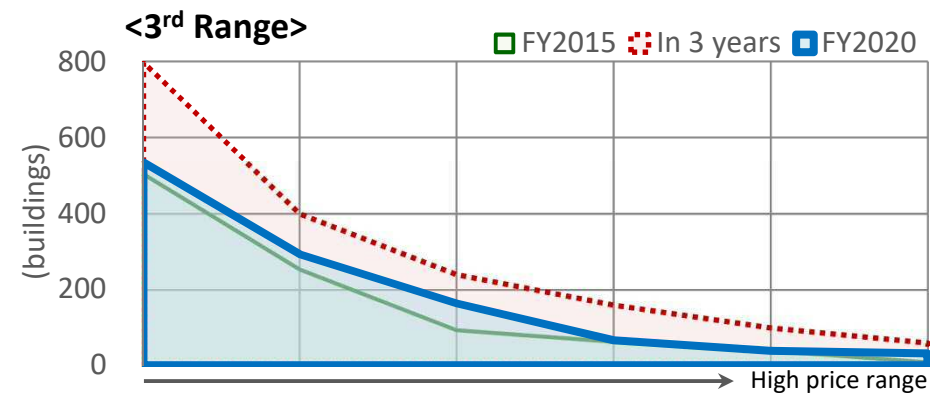
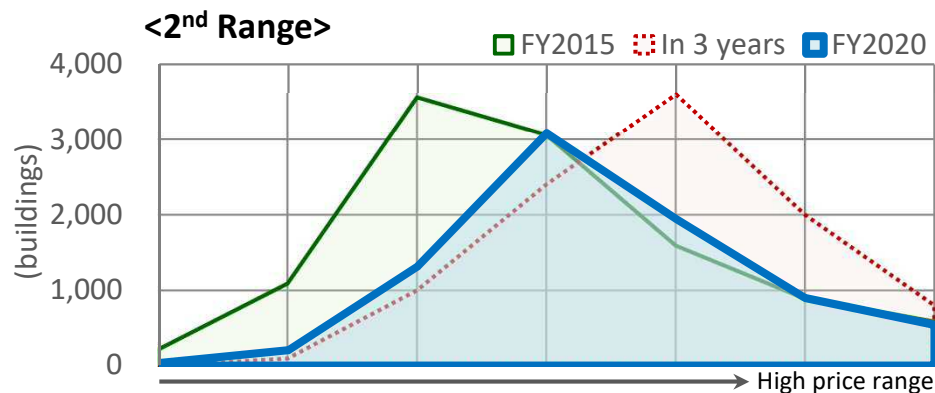
Implement three brand strategies

➤ The 2nd range and 3rd range have made good progress.

Strengthen the technologies, lifestyle design and services

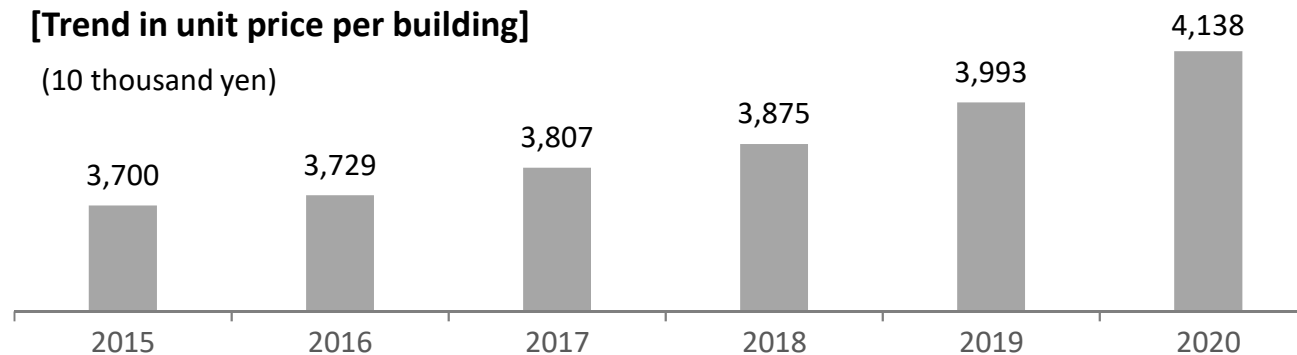
➤ The adoption rate for Family Suite (lifestyle proposals) was at the satisfactory level of approx. 60%.

[Distribution of orders for buildings by selling price range]



[Trend in unit price per building]

(10 thousand yen)

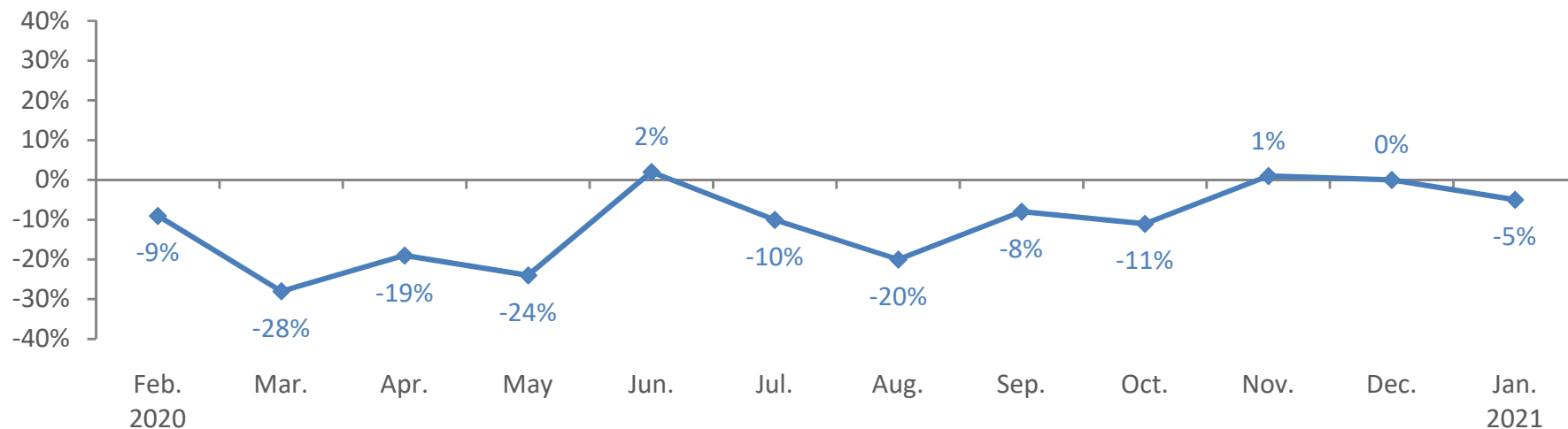


[Built-to-Order Business] Order Status of Rental housing

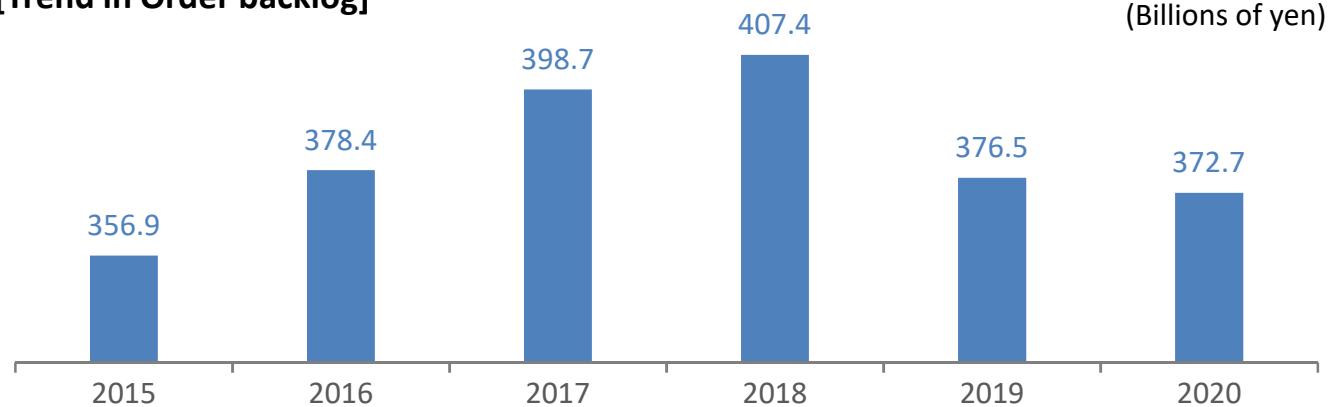


Trend in Monthly Order (year-on-year changes based on preliminary figures)

- Of rental housing orders, orders for non-residential properties, including hotels, continued to struggle due to COVID-19.
- Orders for Sha Maison rental housing were on a recovery trend.



[Trend in Order backlog]



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

[Built-to-Order Business] Rental housing and Architectural / Civil engineering



Key initiatives

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

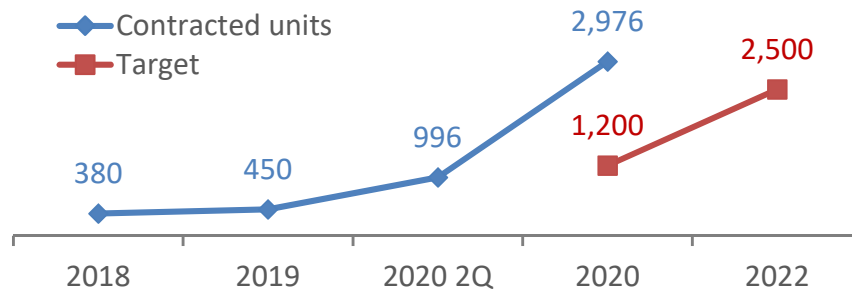
Supply value-added Sha Maison rental housing and price leader strategy

➤ The Sha Maison ZEH rental housing target in the Mid-Term Management Plan was achieved in the first fiscal year. (result : 2,976 units, target : 2,500 units)

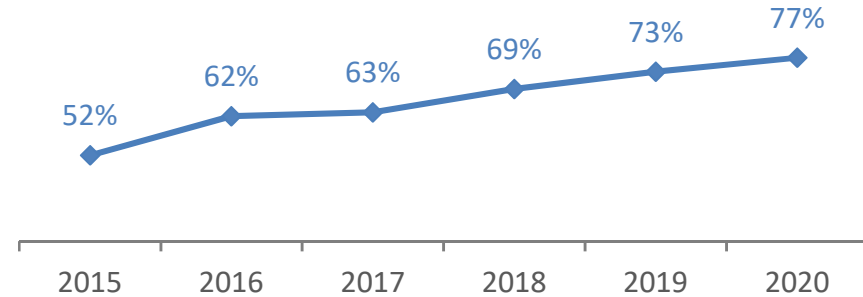
Strengthen sales of β System construction method

➤ Advanced the strategy of focusing on the S and A areas, and the ratio of the 3- and 4-story properties and the price per building rose.

[Trend in the number of ZEH Sha-Maison contracts]

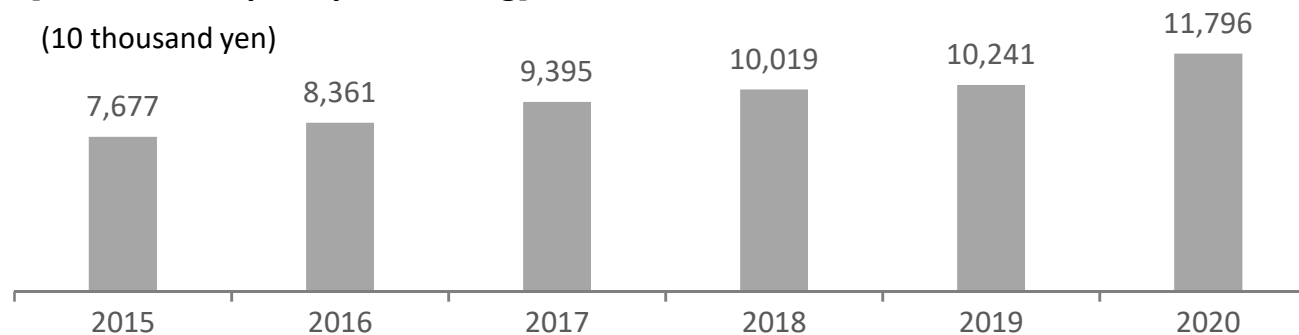


[Trend in Ratio of 3- and 4-story housing (Amount share)]



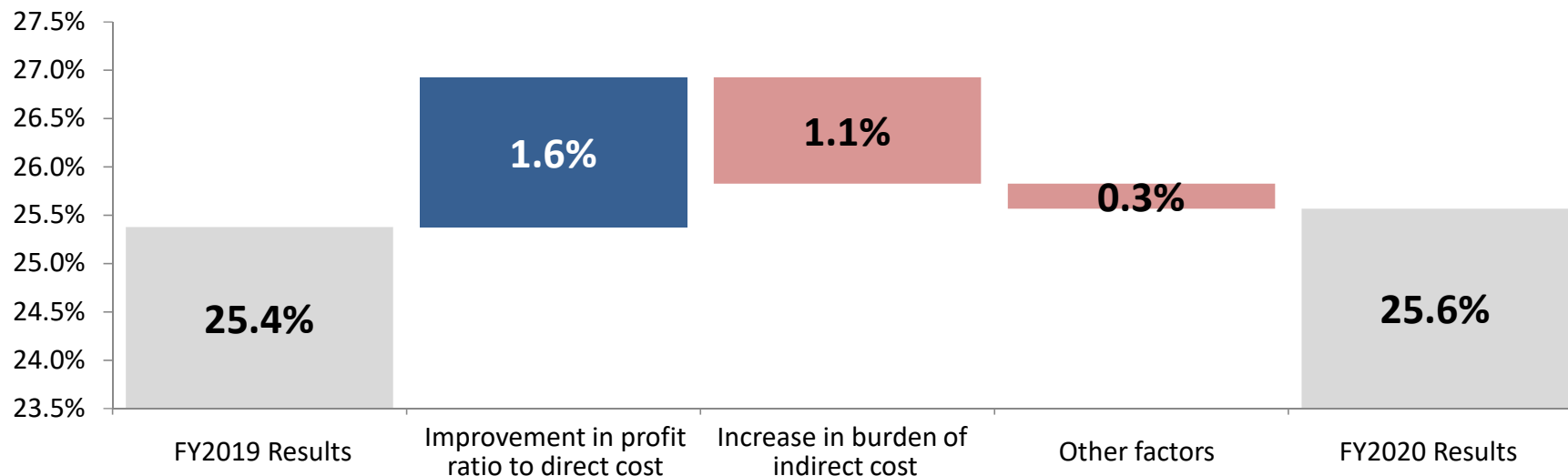
[Trend in unit price per building]

(10 thousand yen)

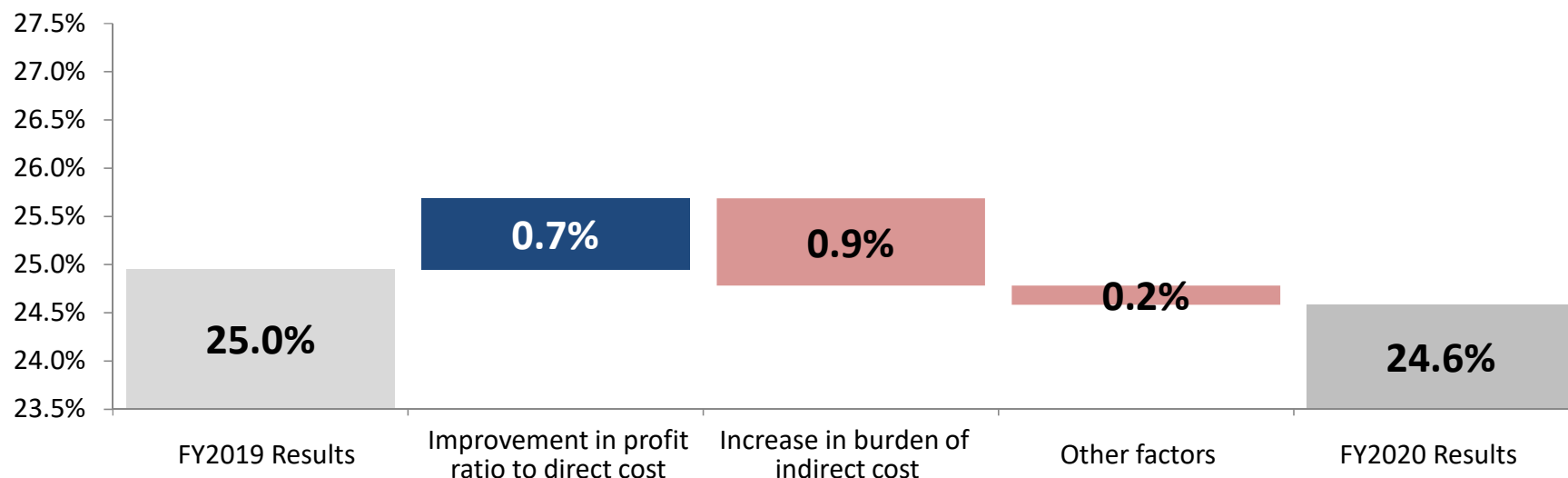


Analysis of Gross Margin

Custom detached houses business – Gross margin



Rental housing business – Gross margin



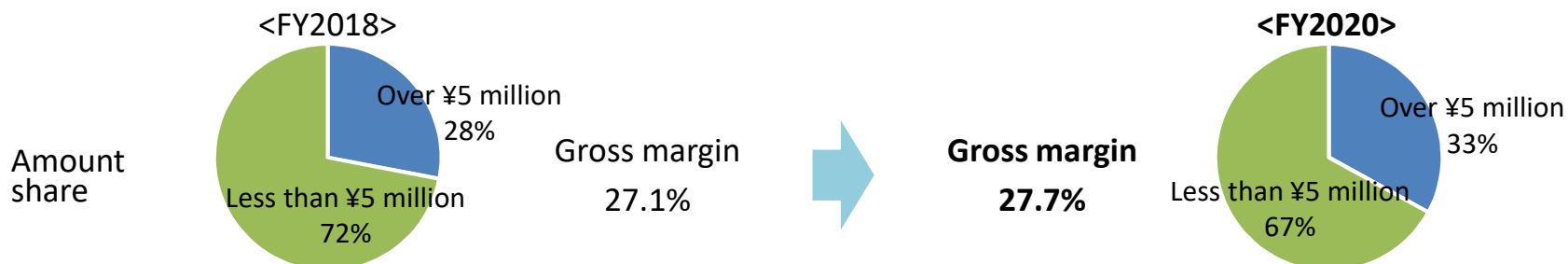
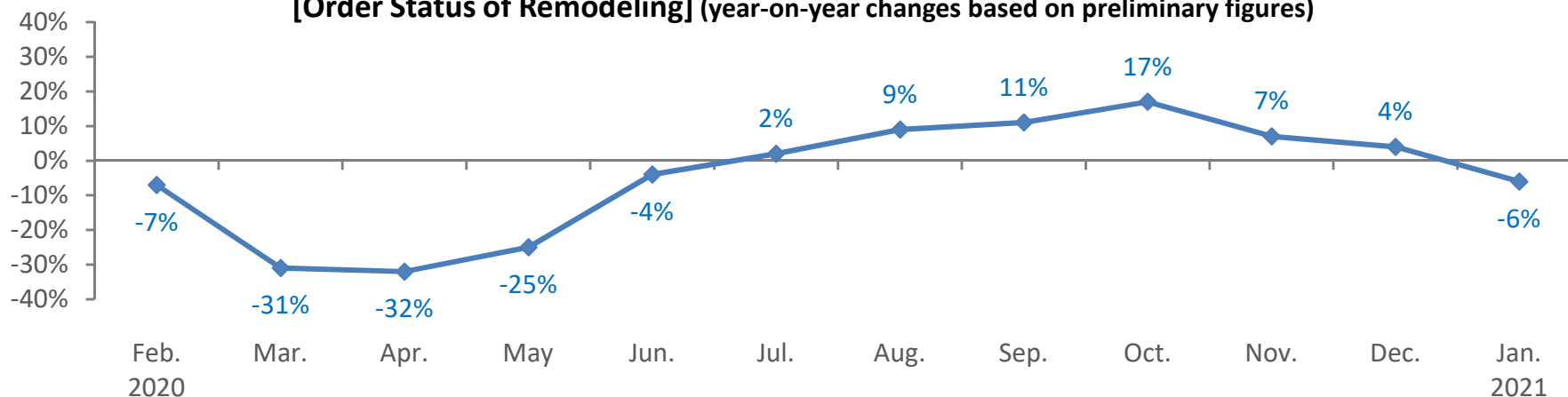
[Supplied Housing Business] Remodeling and Real estate management fees



Key initiatives	<p><Remodeling> Actively deploy proposal-based and environment-based remodeling</p> <p><Real estate management fees></p> <ol style="list-style-type: none"> 1. Fundamental reforms of brokerage business 2. Strengthen relations with owners of rental apartments 3. Improve the level of tenant services
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- Orders for remodeling recovered in the period from July, though the COVID-19 pandemic has affected them significantly.
- The ratio of orders for proposal-based and environmental-based remodeling increased steadily and the gross profit margin improved.

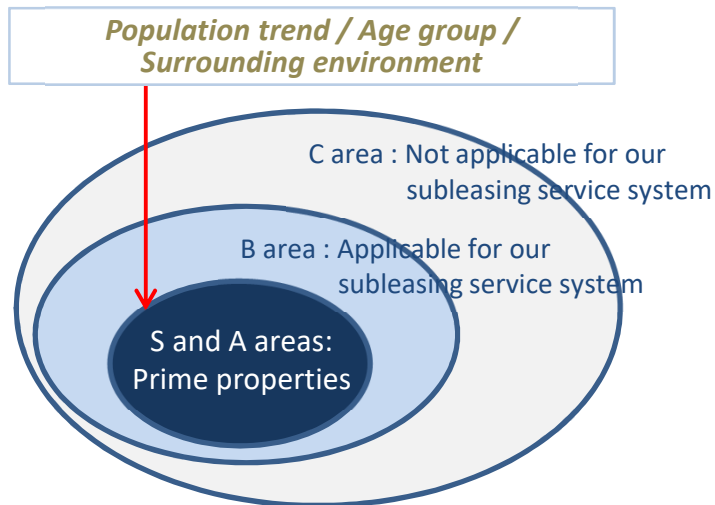
[Order Status of Remodeling] (year-on-year changes based on preliminary figures)



Strength in Rental Housing Business and Real Estate Management Fees Business

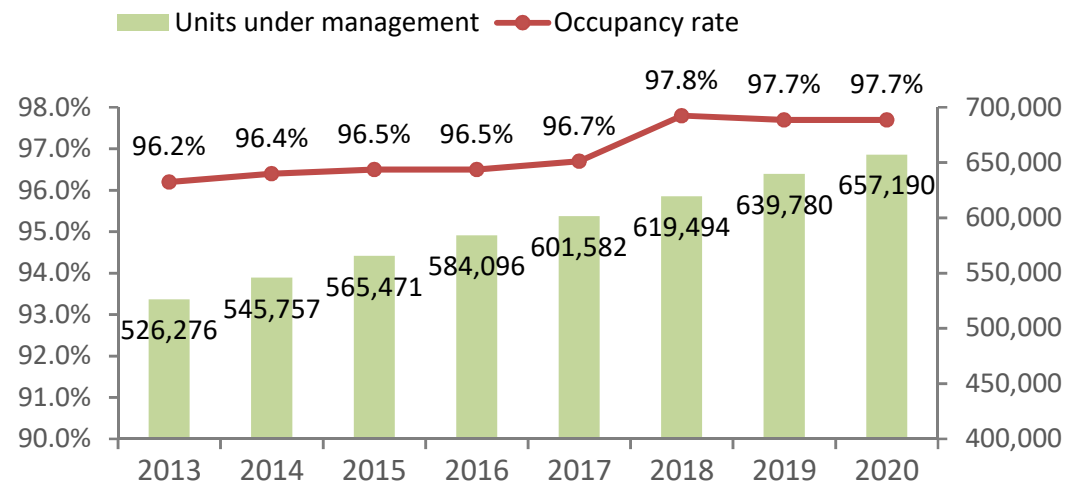


Area marketing with a focus on urban areas to facilitate differentiation from competitors' properties



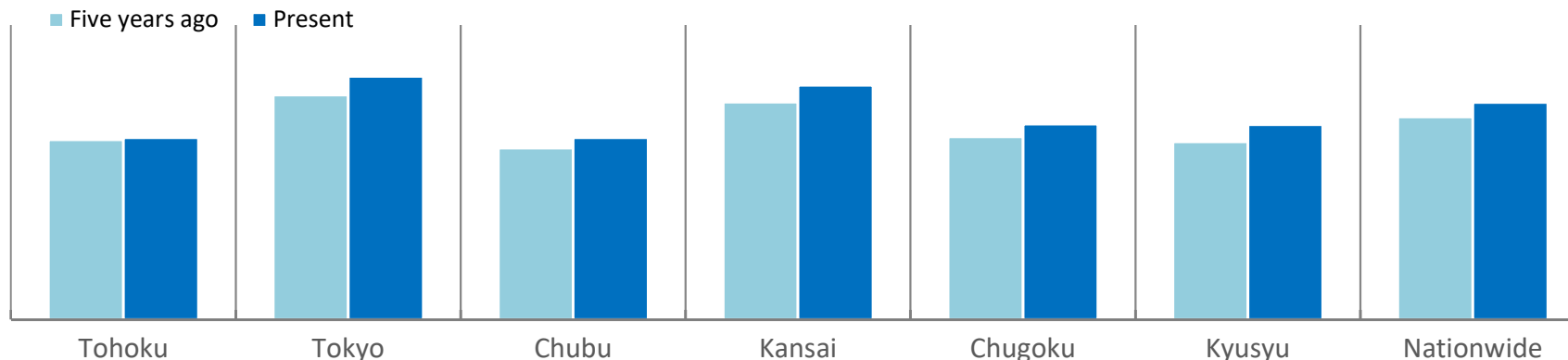
Approx. 80% of the total earnings in the rental housing business is generated in the S and A areas*.

[Trend in the number of units under management and occupancy rate]



[Trend in average rent of units under management]

Average rent grew approx. 5,300 yen nationwide and 7,300 yen in Tokyo.

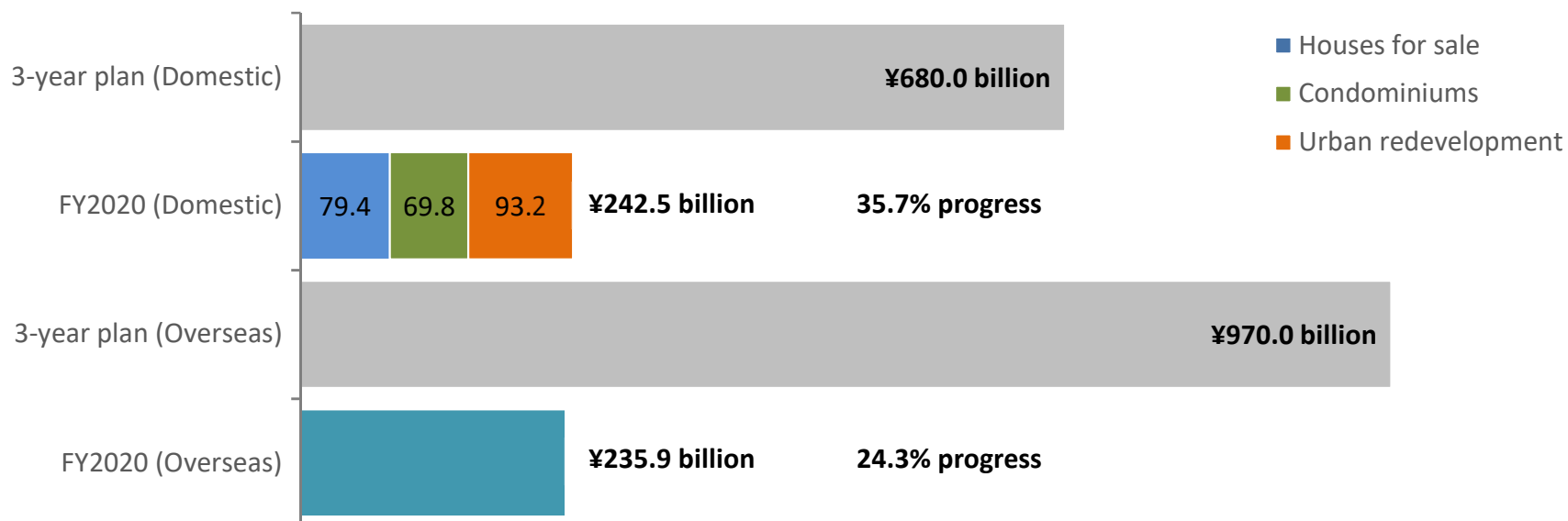


* Areas in cities that the Company classifies as strategic locations for business development.

Development Business

Key initiatives	<Houses for sale> Promote land purchases in target areas and increase turnover
	<Condominiums> 1. Supply of value-added Grande Maison housing and price leader strategy 2. Sekisui House GM Partners. Ltd., provides high value-added services
	<Urban redevelopment> 1. Attractive urban development focusing on Tokyo, Osaka, Nagoya and Fukuoka 2. Advance the Trip Base <i>Michi-no-Eki</i> Stations Project

Real estate investment made good progress.



[Overseas Business] Market Environment

[United States]

Multifamily business [Development of rental houses]

Sales plans for some of the properties were postponed to 2021 and subsequent years partly due to wait and see attitude of institutional investors in April and May 2020 amid the effects of the pandemic. Meanwhile, the business confidence of institutional investors on the West Coast began recovering in the second half of 2020. Rents and the state of tenant contracts at completed properties are showing signs of improvement, though there are observed regional differences.

Master-planned community business [Residential land development] / Woodside Homes [Homebuilding]

The market sank from March to May 2020, amid the effects of COVID-19. However, the market staged a rapid recovery in the period from the middle of May, with interests on housing mortgages reduced in response to an interest rate policy taken by the Federal Reserve Board (FRB) and migration from urban areas to detached houses in the suburbs accelerated by the spread of working from home. Consequently, results for the business surpassed full-year forecasts. The market has remained strong since the beginning of FY2021.

[Australia]

The housing market is on the way to recovery, supported by measures related to sales taken in response to a market decline from March to June 2020 caused by the pandemic, including reduced interest rates on housing mortgages and an enforced federal government program for subsidizing housing acquisition available to Australian residents and first-time home buyers.

Meanwhile, the policy of increasing stamp and property taxes on foreign investors stayed in effect. In addition, immigration stopped due to entry restrictions and other restrictions imposed to deal with the pandemic. Investment from overseas was substantially curbed as a result, affecting business performance for some of the condominiums.

[Overseas Business] Market Environment



[China]

Economic activities recovered from their contraction due to COVID-19. GDP began growing again in the second quarter. Other factors contributing to strong sales include actions for easing restrictions on purchases taken in certain regions as part of economic measures for dealing with the pandemic.

Sales advanced according to plan. All units were sold in a project in Suzhou City. The Company will keep watch on housing policies and markets, in addition to recovering invested capital.

[U.K.]

The temporary suspension of factory operations, the suspension of construction at worksites and the delays in administrative activities continued due to effects caused by the COVID-19 pandemic. In the British housing market, where a housing shortage remains a social issue, the Company is improving its management foundations. The Company is enhancing cooperation with Urban Splash, its business partner, in a variety of areas, including the development of products in agreement with the market, organizational improvement and factory productivity enhancement, in order to set the modular house business, an area of expertise for Urban Splash, on track.

[Singapore]

Housing sales activities were restricted in the first half of 2020 under the effects of a lockdown. Housing sales began recovering in the second half as restrictions were lifted in stages. The operation of restaurants and movie theaters remains partially restricted. However, both the number of visitors and the utilization rate are showing signs of improvement at commercial facilities already in operation (facilities comprising the Waterway Point Project).

[Overseas Business] Major Projects Sold in FY2020



[United States]

Multifamily	¥62.4 billion	Master-planned community	¥57.5 billion	Homebuilding	¥119.1 billion
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[Kiara \(Multifamily\)](#)



[Elyson : 420 lots \(Master-planned community\)](#)



[Woodside Homes : 2,400 houses](#)

[Australia]

Condominiums	¥26.0 billion
Detached houses for sale, built-to-order	¥11.3 billion



[The Hermitage : 177 houses](#)

[China]

Condominiums, etc.	¥91.8 billion
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[Suzhou : 1,308 units](#)

[Overseas Business] Earnings Plan



(Billions of yen)

Country	FY2019			FY2020 (Revised plan)			FY2020 Results			FY2021 (Plan)		
	Net sales	Operating income	Ordinary income	Net sales	Operating income	Ordinary income	Net sales	Operating income	Ordinary income	Net sales	Operating income	Ordinary income
Australia	23.4	(2.2)	(2.3)	36.7	2.4	2.4	37.9	0.5	0.5	38.9	2.0	1.9
China	57.1	3.6	6.2	87.0	14.0	15.4	91.8	14.9	16.4	46.0	5.0	5.8
U.S.A.	309.1	44.4	41.2	226.3	19.8	19.3	240.7	25.2	24.7	248.1	24.7	24.0
Multifamily	148.1	29.4	-	64.4	11.1	-	62.4	10.3	-	47.5	5.9	-
Master-planned community	59.2	8.4	-	49.8	2.4	-	57.5	4.9	-	55.0	7.7	-
Homebuilding	99.6	5.9	-	110.1	5.9	-	119.1	8.6	-	143.1	10.5	-
Singapore	-	-	6.6	-	-	1.8	-	-	1.7	-	-	0.8
U.K.	-	-	(0.4)	-	-	(0.6)	-	-	(0.8)	-	-	(0.6)
Other administrative expenses	0.1	(1.3)	(1.4)	-	(1.3)	(1.3)	0.1	(0.9)	(0.9)	-	(1.2)	(1.2)
Total	389.8	44.5	46.3	350.0	34.9	37.0	370.6	39.7	41.7	333.0	30.5	30.7

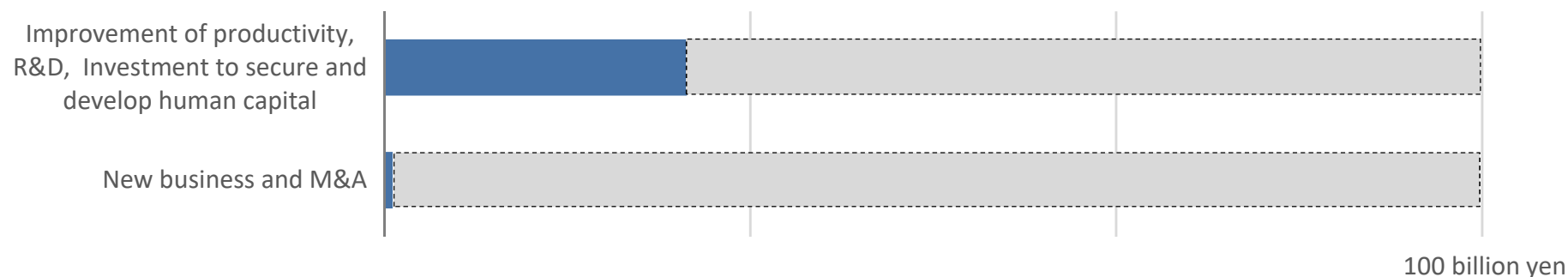
* The Singapore and U.K. businesses are classified under equity in earnings (losses) of affiliates.

* Ordinary income in Singapore in FY2019 comprises equity in earnings (losses) of affiliates and a gain on sale of equity (extraordinary income).

Financial Strategy

Investment for growth

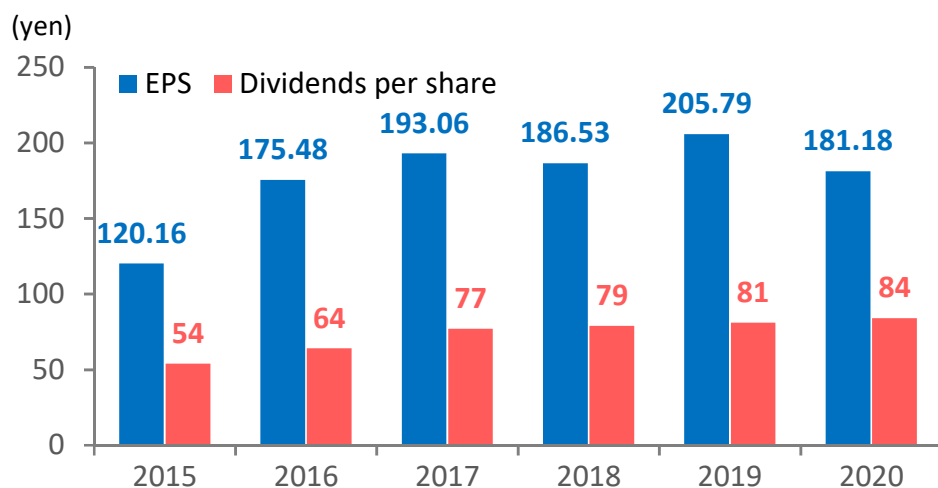
Made progress centered on production equipment and R&D in FY2020.



Shareholder return

To pay dividends of 84 yen (up 3 yen from the previous year) and repurchased Company shares of 5 billion yen in FY2020.

Plans for dividends of 86 yen (up 2 yen from the previous year) and repurchase Company shares of 15 billion yen in FY 2021.

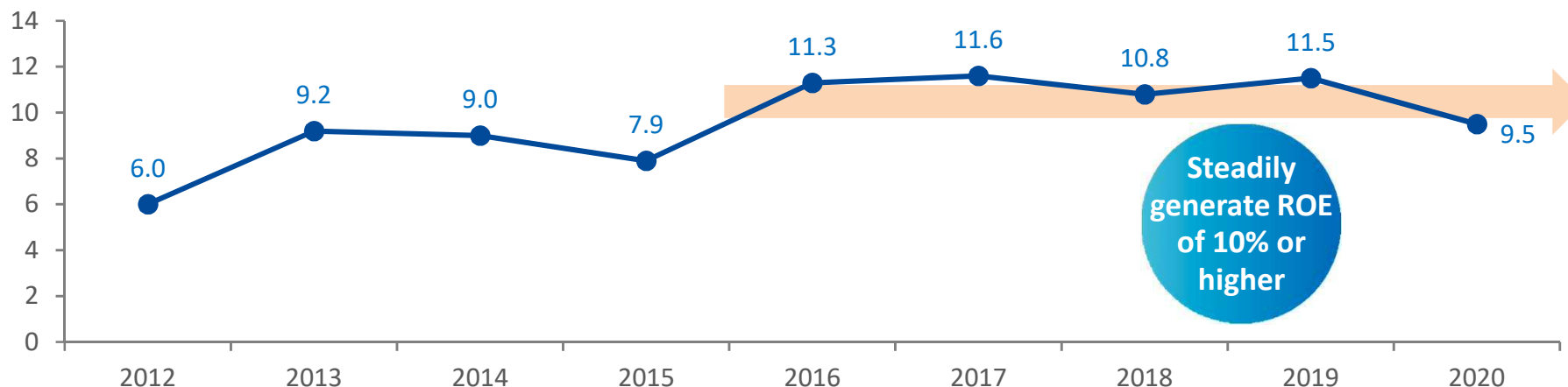


	2017	2018	2019	2020	2021 (Plan)
EPS (Yen)	193.06	186.53	205.79	181.18	200.62
Dividends per share (Yen)	77.00	79.00	81.00	84.00	86.00
Payout ratio	39.9%	42.4%	39.4%	46.4%	42.9%

Financial Strategy

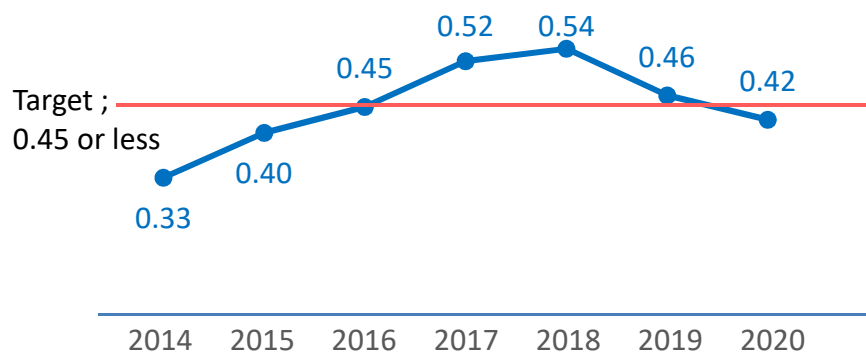
ROE

We will work to generate stable ROE of at least 10%, reflecting improvement in capital efficiency through the flexible acquisition of Company's stock in addition to higher EPS as a result of profit growth. We will continue to seek improvement of ROE moving forward.

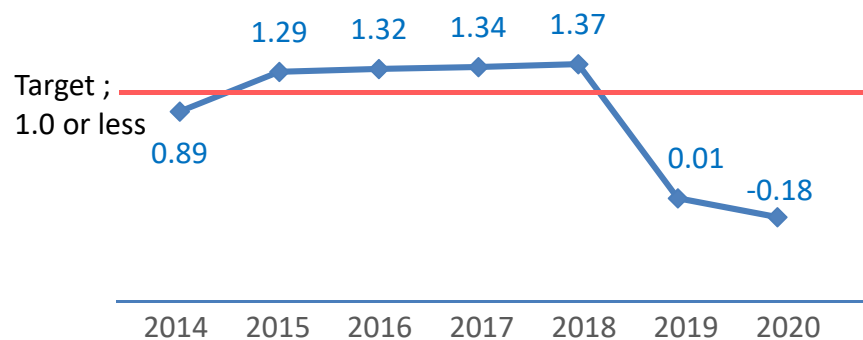


Healthy finances

<Trend in D/E ratio>



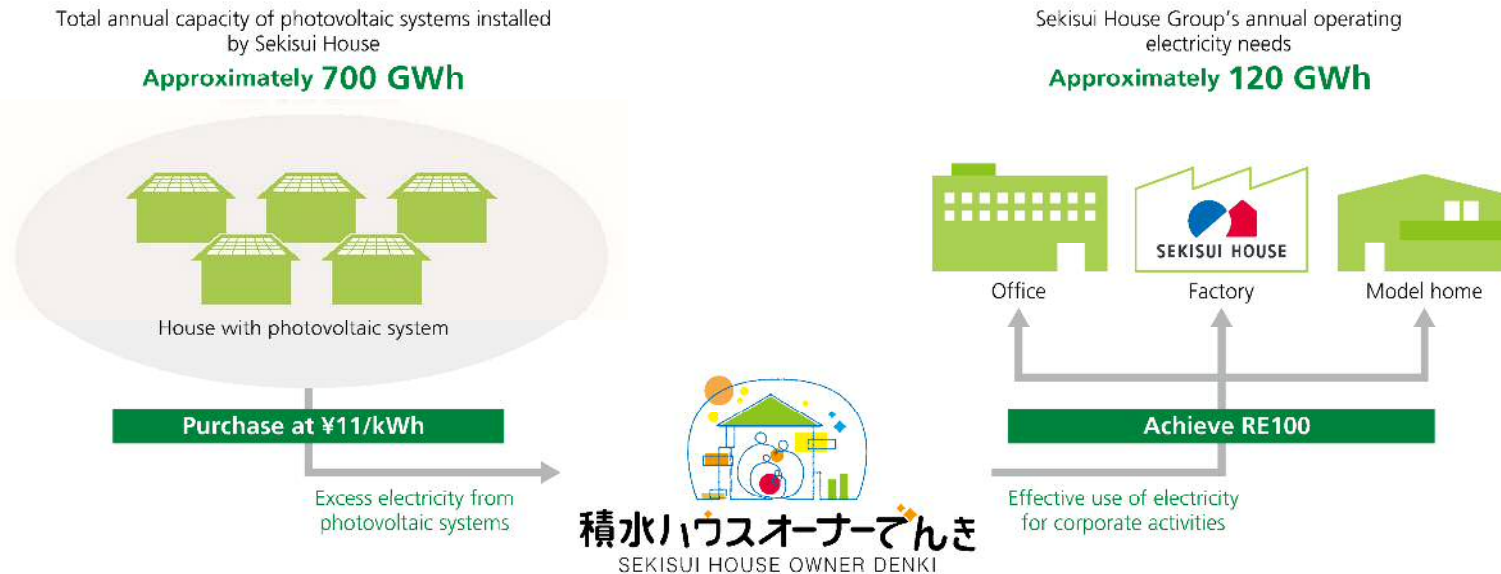
<Trend in net debt to EBITDA (times)>



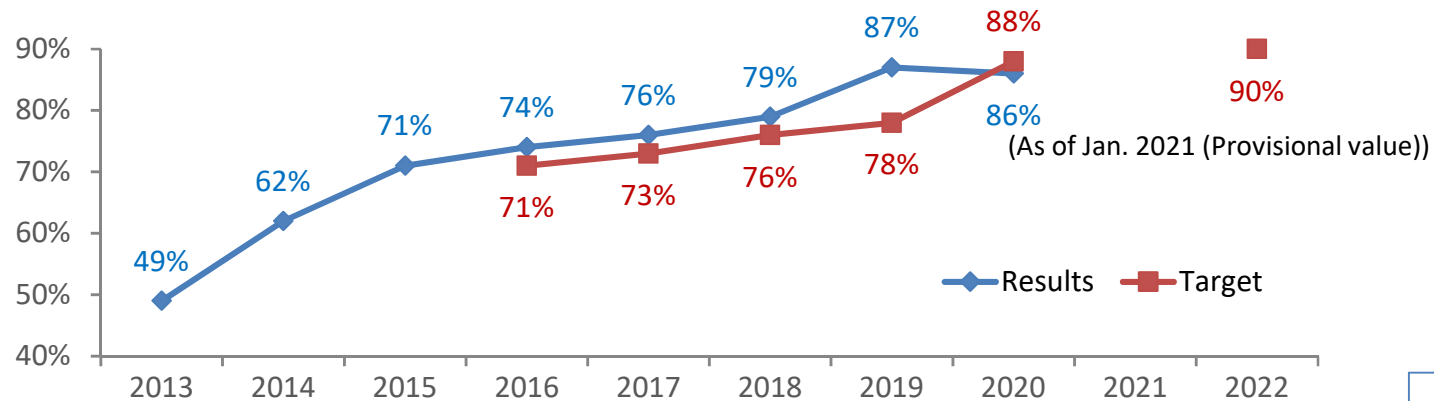
[ESG] -Environment Prevent global warming

■ Promotion of Decarbonization in Business

- We purchase post-FIT power from owners of Sekisui House products equipped with solar power generation system at a rate higher than the market rate (11 yen per kWh) (Sekisui House Owner *Denki*) and use it in our business. Through this scheme, we will achieve the RE100 goal. We planned to achieve RE100 in 2040 but will likely achieve it around 2030.



[Trend in Green First ZERO (ZEH) ratio]



[ESG] - Social Creation of Happiness in Society and Company

■ Workstyle reform - Increase the growth generated by intangible assets

(1) Continuing with the full implementation of childcare leave for men, *Ikumen Leave*, for a minimum of one month

All of the 804 male employees with children who were entitled to take childcare leave by the end of 2020 have taken childcare leave for a month or more. We have created an *Ikumen* Guide and have established Think About Childcare Leave Day. The *Ikumen* Forum 2020 was held, and the *Ikumen* White Paper 2020 was published. We received the Ministry of Health, Labour and Welfare's *Ikumen* Award 2020 Grand Prize.



(2) Providing support to encourage employees to balance work and childcare, nursing care, or medical treatment

We held a forum about the balancing of work and childcare. Our enhanced support systems enable employees to work while providing nursing care or receiving fertility or cancer treatments.

(3) Promoting smart work

During the COVID-19 pandemic, we have expanded the ability of our employees to work from home. We will develop a system enabling any employee to work from home in normal times. We will allow employees to work using mobile equipment and in satellite offices.

(4) Promoting good health management

We visualize overtime hours and total working hours using an attendance management app. The average total working hours of employees is an indicator for the President's Award. We have started the Walking Challenge using our original Sekisui House FIT app. We use AI to analyze health risks based on the results of medical checkups. We have established a smoking cessation outpatient care support system. We held the Sekisui Smoking Cessation Challenge 2020.

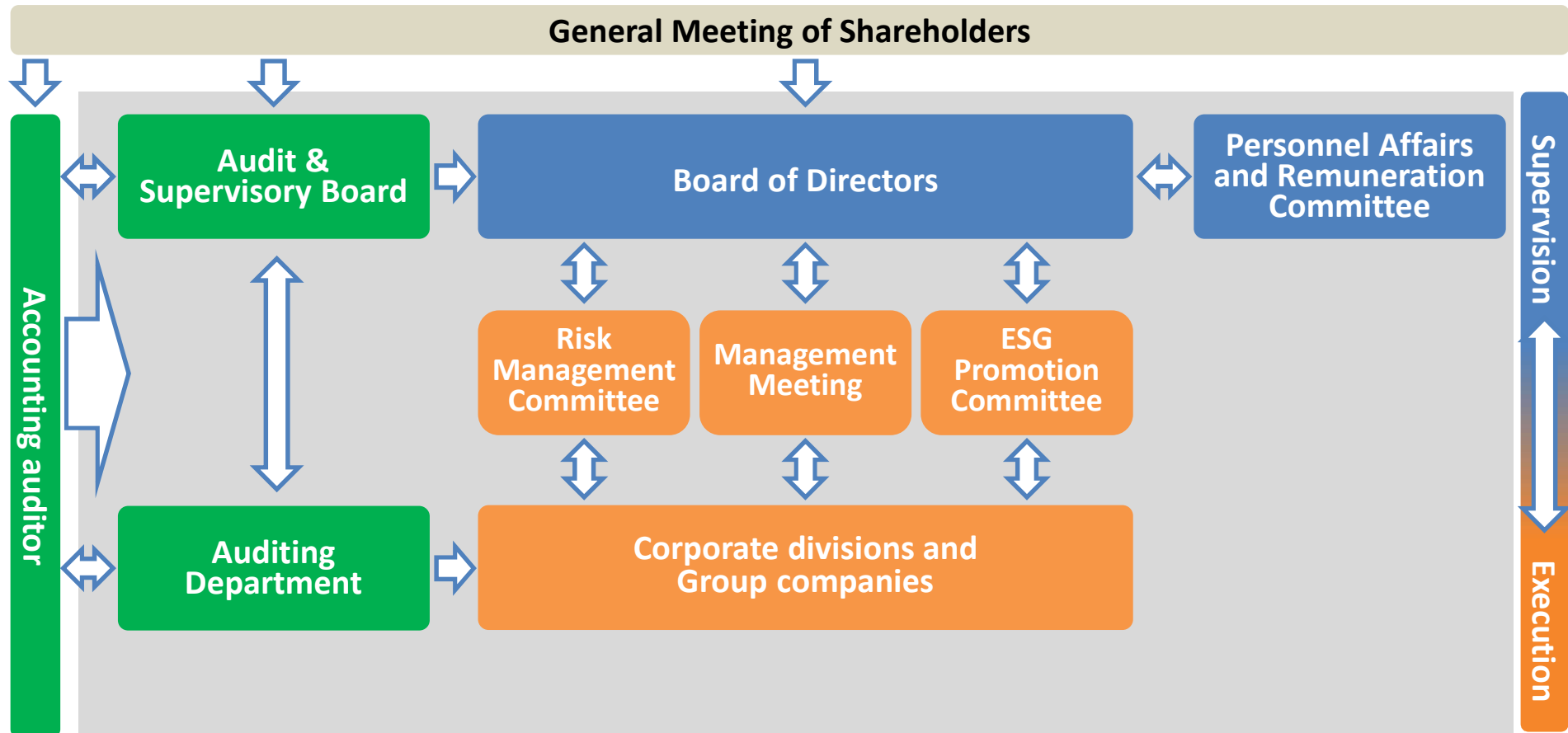
[ESG] -Governance Strengthening of Corporate Governance System (i)



Moderate separation of management supervisory functions and business execution functions

- Strengthening supervisory functions by making the Board of Directors more independent.
- Expanding the transfer of authority by reforming the Management Meeting and the Executive Officer system.

[Corporate governance system (from April 2021)]



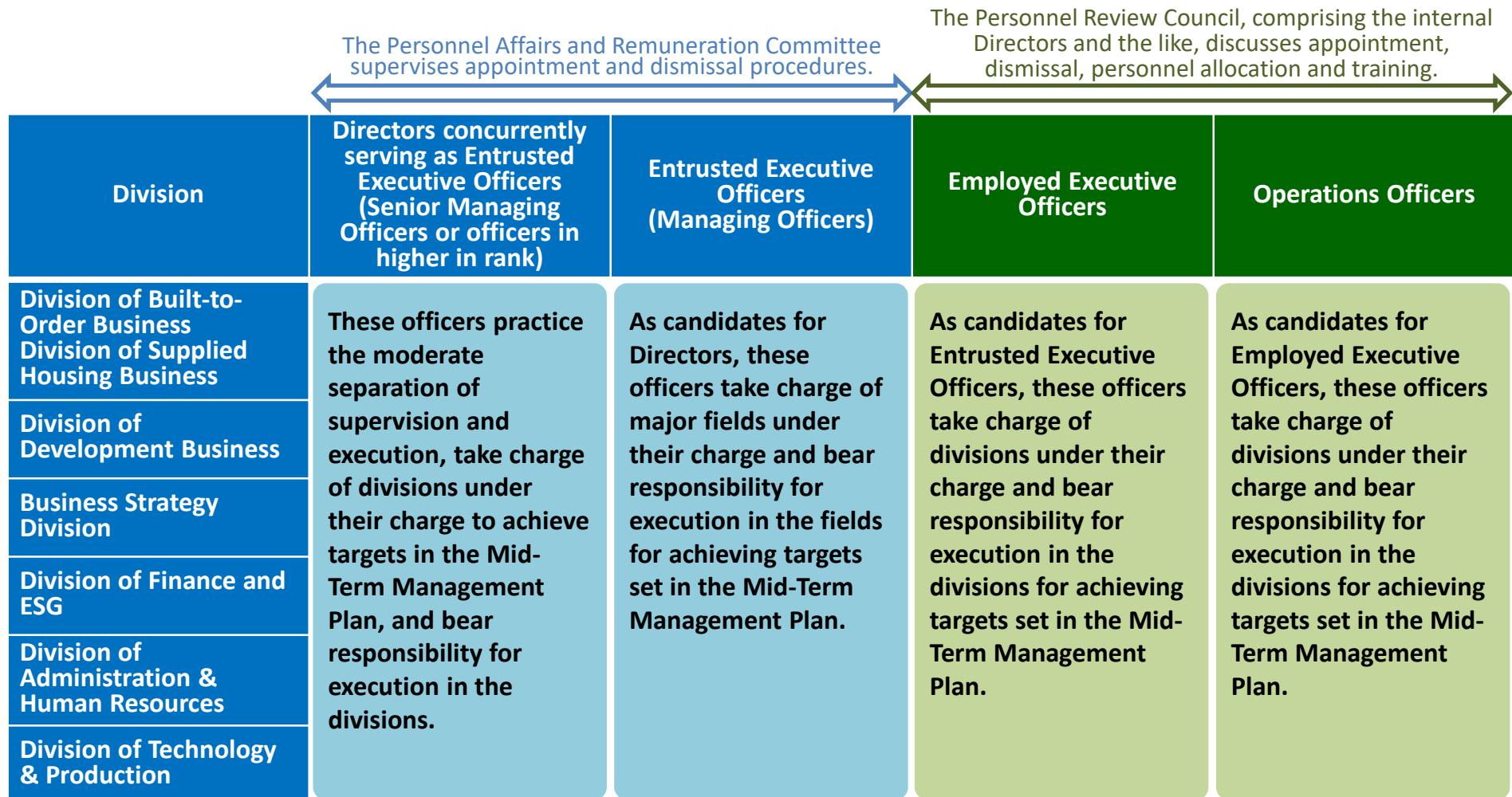
[ESG] -Governance

Strengthening of Corporate Governance System (ii)



Reforming the Executive Officer system

- Clarifying the roles of Executive Officers, requirements for them, and procedures for their appointment and dismissal.
- Training management personnel and developing sustainable leader pipelines.



[ESG] - Governance

Progress of Governance Reform (in FY2018 and FY2019)



	FY2018	FY2019
Introduction of a mandatory retirement age of 70 for representative directors	➤ Resolved at the meeting of Board of Directors in Mar. 2018	
Appointment of women as External Directors	➤ Approved at the General Meeting of Shareholders in Apr. 2018 (Elected one female external director and one female external corporate auditor)	
Transparency and invigoration of Board of Director meeting operations	➤ Resolved at the meeting of Board of Directors in Feb. 2018 (Separation of the chairman of the Board and the convener)	
Establishment of the Management Meeting	➤ Resolved at the meeting of Board of Directors in Feb. 2018 (held 8 times in FY2018, held 10 times in FY2019, held 8 times in FY2020)	
Clarification of Directors Responsibilities for Each Department	➤ Resolved at the meeting of Board of Directors in Mar. 2018 (Structural reform in Apr. 2018)	
Evaluation of the Efficacy of the Board of Director	➤ Resolved at the meeting of Board of Directors in Mar. 2018 (Conduct a survey once a year. A third-party assessment company conducted a survey and individual interviews in FY2019)	
Reform of the approval system	➤ From Jun. 2018 (Clarification of the department responsible for the review, introduction of an electronic approval system)	
Ensuring independence and strengthening internal checks of chief managers in charge of general affairs in sales administration headquarters and branches (Building a governance network involving Group companies)	➤ Started from Nov. 2018 (Provided training for those in charge of general affairs, Reviewed process of team and personnel evaluation)	
Improving the integrity of branch managers Expand the scope of the Integrity Management training	➤ Started from Nov. 2018 (Launched Sekisui House Management School (program to cultivate and select future branch managers). Expand the scope of the Integrity Management training to Head office employees, Group officers in Aug. 2020)	
Next Generation managers / Development of Future Leaders		➤ Started from Oct. 2019 (SHINE! Challenge Program, training to cultivate young human resources)
Introduced restricted stock into the system of compensation		➤ Approved at the General Meeting of Shareholders in Apr. 2019 (Paid in Jun. 2019)
Elimination of the officer bonus system for outside directors		➤ Approved at the General Meeting of Shareholders in Apr. 2019
Review of the term of office of directors		➤ Policy resolved at the meeting of Board of Directors in Sep. 2019 (Introduced in Apr. 2020)
Abolish the Advisor / Advisory system		➤ Policy resolved at the meeting of Board of Directors in Sep. 2019 (Introduced in Apr. 2020)

[ESG] -Governance

Progress of Governance Reform (FY2020)

	FY2020
Fundamental revision of the executive compensation system	➤ Implemented in Apr. 2020
Introduction of guidelines for holding stock	➤ Introduced in Apr. 2020
Establishment of Stock Compensation Refund Clause (Malus and Clawback)	➤ Introduced in Apr. 2020
Development of criteria and procedures for the selection and dismissal of senior management	➤ Started from Apr. 2020
Increased Board Independence	➤ Ratio of outside directors is one-third from Apr. 2020
Development of an overseas whistleblower system	➤ Started from Jun. 2020
Establishment of the Office of the Board of Directors	➤ Established in Aug. 2020

<Latest initiatives>

Development of an overseas whistleblower system (Started from Jun. 2020)

Launched the Sekisui House Global Helpline in the US, Australia, U.K., and Singapore, which is operated by a third-party law firm.

Establishment of the Office of the Board of Directors (Established in Aug. 2020)

Organizational structure to support enhanced activities in light of the increase in the number of outside directors.

Preparation and disclosure of a Comprehensive Evaluation Report (Released in Dec. 2020)

The Company established a Comprehensive Evaluation Committee and disclosed a Comprehensive Evaluation Report to fulfill its responsibility to explain the problems with the purchase of land for condominiums to stakeholders. At a meeting held in January 2021, the Board of Directors resolved to reexamine the recurrence prevention measures as pointed out in the Comprehensive Evaluation Report at the Risk Management Committee, provide educational trainings (to be completed by the end of FY2021) by learning a lesson from the problems, and make rotational personnel changes.

Although the document is prepared on the information believed to be credible, Sekisui House does not guarantee the accuracy or the completeness of such information. Also the information herein contains forward-looking statements regarding the company's plan, outlook, strategies and results for the future. The Company undertakes no obligation to publicly update any forward-looking statements. All the forward-looking statements are based on judgments derived from information available to the Company at the time for this release. Certain risks and uncertainties could cause the company's actual results to differ materially from any projections presented here.