



Sekisui House, Ltd.

Rental Housing Business – The Business Segment That Will Drive Domestic Business Growth

Theme of the Sixth Mid-Term Management Plan

The Sekisui House Global Vision Make home the happiest place in the world

Propose happiness through the integration of technologies, lifestyle design and services

- ✓ Introducing the “life knit design” concept that interweaves lifestyles
- ✓ Creating value through data-driven DX
- ✓ Offering PLATFORM HOUSE, health services, and lifestyle services

Become a leading company in ESG management

- ✓ Helping solve environmental issues through residences
- ✓ Making employee autonomy a growth driver
- ✓ Innovation and communication

Make Sekisui House technologies the global de facto standard

- ✓ Entering the southeastern United States
- ✓ Expanding the sale of our SHAWOOD products, which leverages safety, comfort, and design
- ✓ Engraining such lifestyle design as our lifestyle proposal capabilities, customer engagement, and brands

Stable Growth in Japan and Proactive Growth Overseas

Today’s presentation will be about our strategy on how Sekisui House Rental Housing Business will **drive domestic business growth**.

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Last year, the Company achieved record-high profits under the Fifth Mid-Term Management Plan.

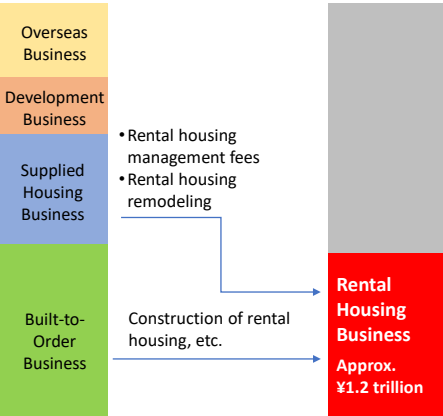
In the Sixth Mid-Term Management Plan, which was initially presented in March of this year, we are continuing to move in line with our Global Vision to “make home the happiest place in the world,” and have made “Stable Growth in Japan and Proactive Growth Overseas” the theme of the plan.

I think it is important for the Rental Housing Business to drive domestic business growth by developing a business model where cash earned from the Rental Housing Business is actively invested in overseas markets, etc.

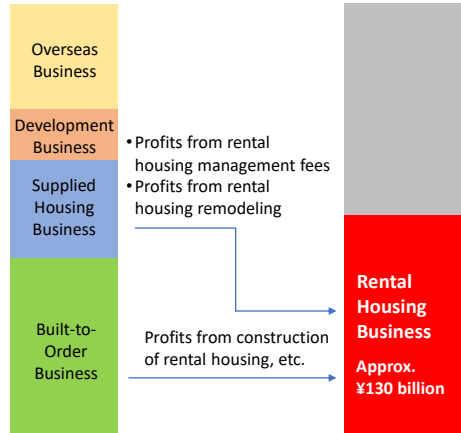
Rental Housing Business-Based Net Sales and Operating Income Ratios (FY2022)

The Rental Housing Business segment accounts for approximately 40% of Sekisui House's net sales and approximately 50% of our operating profit

Net sales ¥2,928.8 billion (consolidated)



Operating profit ¥261.4 billion (consolidated)



Note: Does not include other businesses, corporate expenses, or inter-segment eliminations

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Now I will provide a summary of the impact of net sales and operating profit related to our Rental Housing Business.

In FY2022, Rental Housing Business net sales totaled ¥1.2 trillion, consisting mainly of Rental Housing Business construction contract related sales and sales from the Real Estate Management Fees segment in which Sekisui House Real Estate companies manage subleasing of rental housing.

Operating profit attributed to the Rental Housing Business was ¥130 billion, accounting for approximately half of the Company's operating profit.

*Good***P**lace
*Good***P**lan
*Good***P**erson
*Good***P**rice

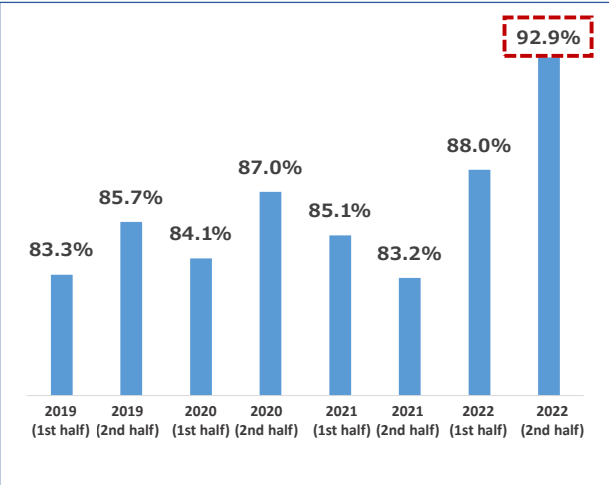
We will realize **long-term stable management** for owners
by pursuing added value placing **residents first**

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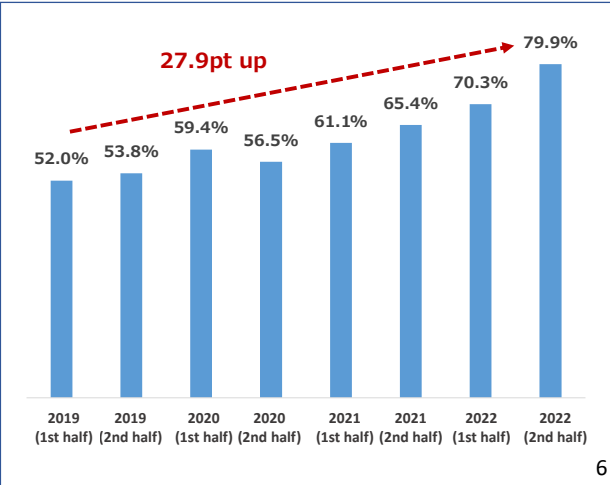
Here we will look at the basic strategy of our Rental Housing Business.
In the Rental Housing Business, a price leader strategy based on area marketing is implemented where business is promoted through the four "P"s.
This provides added value by placing residents first and encourages favorable residents to stay longer, thereby offering owners long-term stable rental contracts.

GoodPlace

Ratio of **S and A area** buildings among the number of orders for rental housing (S and A areas denote areas that are within a 10-minute walk to the nearest train station based on our proprietary marketing standards)

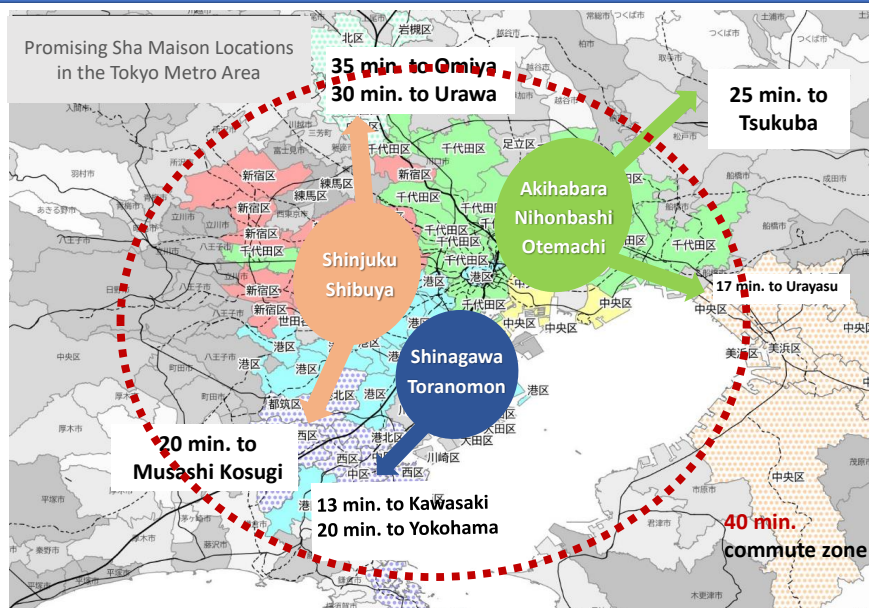


Ratio of **three-to-four-story buildings** among the number of orders for rental housing



Currently, orders in the Rental Housing Business are increasing in S and A areas, which are areas featuring convenient residences that are within a 10-minute walk to the nearest train station and offer good surrounding environments. The ratio of S and A area buildings exceeded 90% in 2022.

The ratio of orders for three-to-four-story buildings has been increasing due to orders for buildings in desirable locations near train stations, up 27.9% from the 2019 level.



If we analyze the S and A areas where orders are increasing in the Tokyo metro area, where orders are increasing, there are three major areas where residents' workplaces are located, and orders for buildings within a 40-minute commuting distance (10-minute walk to the station and 30-minute train ride) are growing remarkably with favorable occupancy rates.



Here we see a four-story rental housing facility built in Otakanomori near the Tsukuba Express rail line. Facing a main road with a building-to-land ratio of 60% and a floor area ratio of 200%, this site offers a comparatively high degree of freedom in terms of design with an integrated exterior plan, which includes locations for trees and other features.



This is the exterior of a three-story rental housing facility in the Jingumae section of Shibuya-ku.

This is the so-called "Ura-Harajuku" area, where famous brand shops line the streets. However, once you enter a little deeper, you will see that the streets are very narrow. Due to this type of environment, building design standards in neighborhood are high. Even in this type of area, our BERO heavy steel frame rental apartments, which require no through columns, provides a design that does not detract from the area's image.

Multi-Building Suburban “Apartment Town”



Urban Value-Added Condominiums

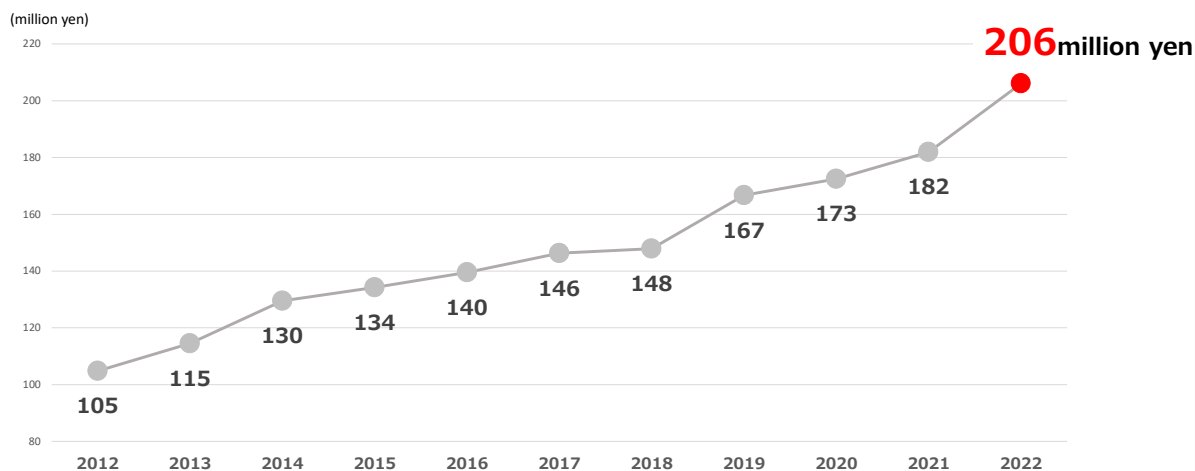


This shift will provide us with the **ability to maintain high occupancy rates and rents** in the domestic rental market that is experiencing a population decline

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The Company has completely shifted its offerings from multi-building suburban “apartment towns” to urban value-added condominiums. I believe that this move will allow us to maintain stable occupancy rates even as the population declines due to the declining birthrate and aging population.

Trend in Unit Price Per Building (Three-to-Four-Story Rental Housing Buildings)



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This chart shows that the unit price per building for three-to-four-story rental housing buildings has doubled from 10 years ago thanks to our high-value-added offerings.

Since the majority of orders are for three-story rental housing buildings and our four-story building market share is relatively low, I believe there is still room for more unit price growth.

Good*P*lan

1. Exterior designs by **Chief Architects** that are full of individuality

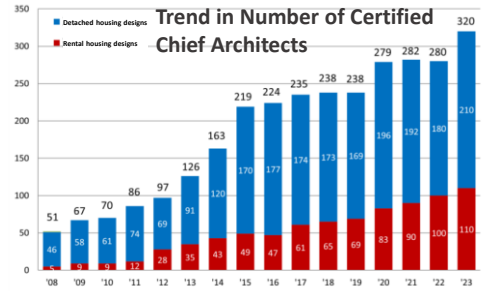


Number of first-class architects: 3,090

Number of Chief Architects: 110
(Chief Architects work exclusively on rental housing designs)

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There are a total of six factors that separate good plans from the rest.
The first is that our exterior designs are created by Chief Architects.
Currently, the Company employs 3,090 first-class architects and certifies each architect, who has the skills to produce good designs that are highly evaluated by clients, as "Chief Architect," an in-house qualification unique to the Company.



The devotion of our Chief Architects to developing a sense for design over the last 15 years is something that cannot be **easily imitated**.

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Chief Architect certification and renewal is performed annually based on the evaluation of plan and design presentations from various perspectives. Each Chief Architect is provided with a special company pin and an allowance for studying design on their own. With a total of 320 Chief Architects, we are receiving an increasing number of inquiries from customers who are considering expensive detached houses and from those who have previously requested design offices or design firms.

Hotel Style Design Features

2. Complete security



3. Added-value proposals for common areas



4. Elevator installation



5. Sales of electricity by residents through ZEH



6. Exterior enhancement through the Gohon no Ki Project and other efforts



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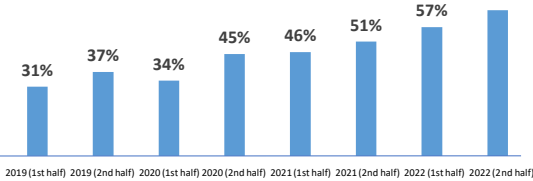
As for factors that separate good interior designs from the rest, three factors that are standardized as hotel style design features are complete security, by providing automatic locking doors, added-value proposals for shared entrance areas, and elevator installation.

Electricity from a photovoltaic power generation system installed on the roof of the building is allocated to residents, realizing an ethical lifestyle based on the use of natural energy.

Exterior planning contributes to the beautification of the property over time through the Gohon no Ki Project, which has provided proof of ensuring biodiversity.

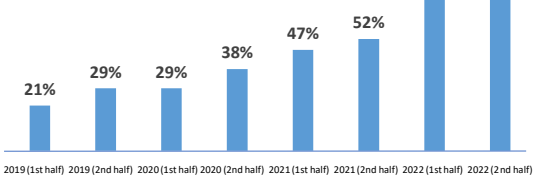
Ratio of Buildings with **Hotel Style Design Features**

(ratio of such buildings among orders for three-to-four-story rental housing buildings)



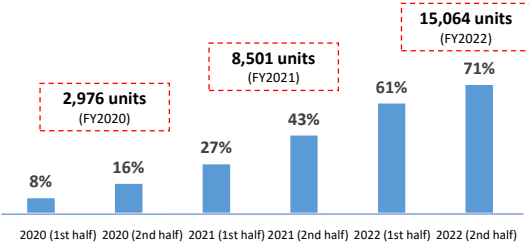
Ratio of Buildings with **Elevators**

(ratio of such buildings among orders for three-to-four-story rental housing buildings)



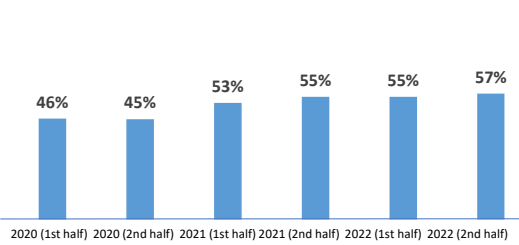
Ratio of **ZEH** Sha Maison units

(ratio among orders for rental housing buildings)



Ratio of **Sha Maison Gardens**

(ratio among orders for rental housing buildings)



*Good****Person***

Analysis of Residents

Profession of Head of Household	Number of Households	Work Location	Annual Household Income	Type of Lease
Employee of major corporation	11	Tokyo Prefecture	¥ 9,950,000	Seven households have leases through their companies
Medical organization	1	Chiba Prefecture	¥ 8,000,000	Lease through their company
Sole proprietor	1	Self-employed	¥ 16,500,000	Lease through their company
Other profession	2	Chiba Prefecture	¥ 10,200,000	Standard lease

Power couple



Young family with child



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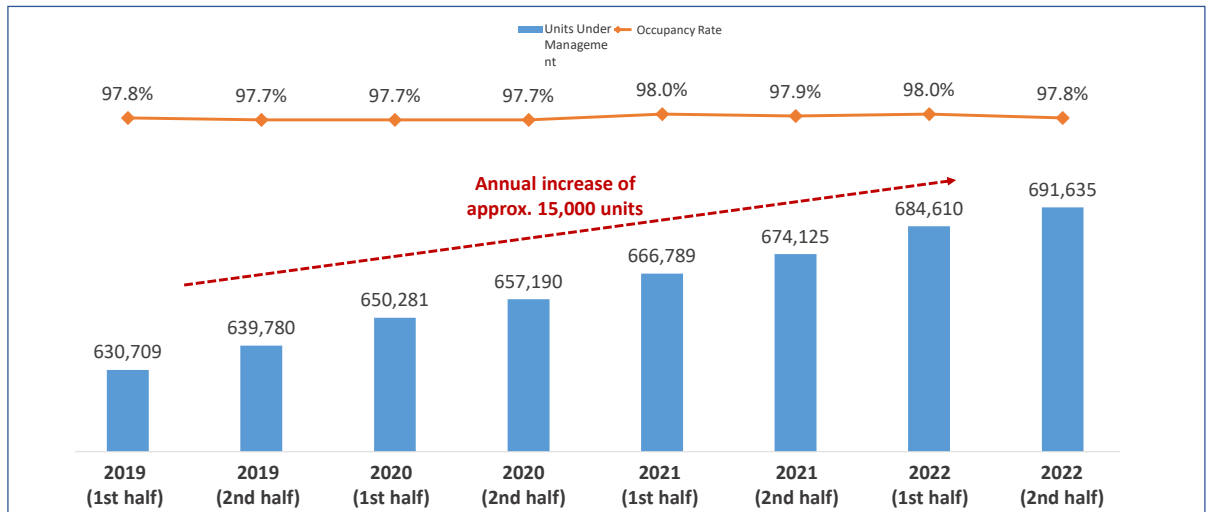
Here we see data from a case study of the analysis of 15 resident households living in a rental property in Chiba Prefecture.

There are two main household types.

One is the “power couple” type where the couple is working and has no children, and the other is “young family with child” type where a couple is working hard raising a small child.

It is clear that both household types fall under our marketing target.

Sekisui House Real Estate Number of Units Under Management and Occupancy Rate



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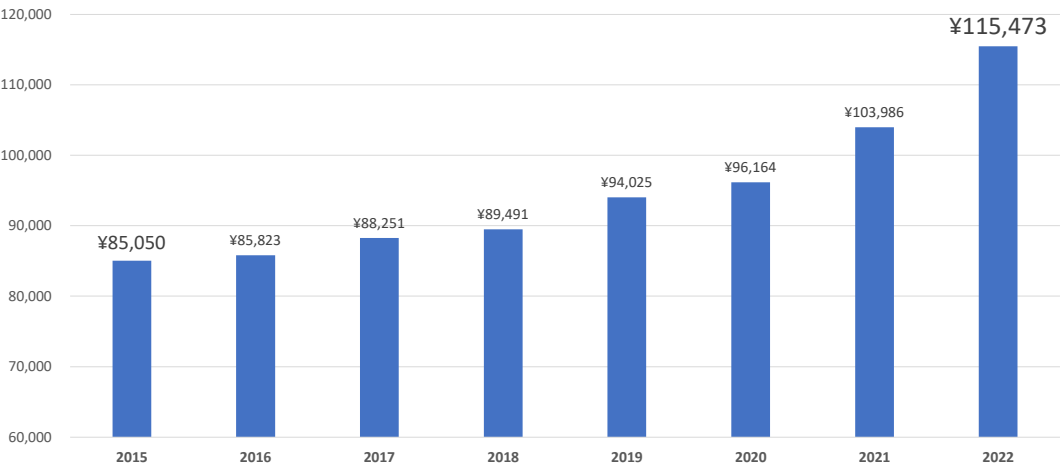


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Due to their popularity among good residents like those studied in the previous slide, we have been able to maintain an overall occupancy rate from 97.7% to 98.0% while supplying 15,000 new units annually.

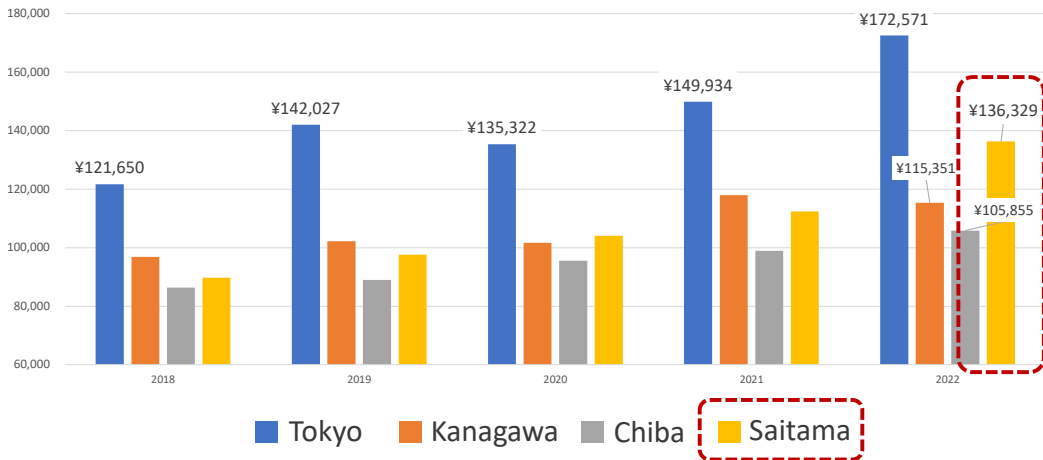
*Good***Price**

Trend in **Rent Price Per Unit** for Sekisui House Real Estate Managed Properties (monthly rental price of units in new buildings in Japan)



Here we see the monthly rent price per unit for each year since 2015 assessed by Sekisui House Real Estate companies for units in new buildings. Since we promote good plans and good places, residents understand the added value that is commensurate with each location.

Trend in **Rent Price Per Unit** for Sekisui House Real Estate Managed Properties
(monthly rental price of units in new buildings in the Tokyo metropolitan area)



Here is a chart of the rent price since 2018 for units in new buildings construction by location in the Tokyo metro area.

In addition to Tokyo Prefecture, the increase in rent prices in the Saitama area is remarkable. The existence of the Shonan-Shinjuku Line and Ueno-Tokyo Line has made it easier to access central Tokyo, making the Saitama area popular. As a results, current S and A area orders in Saitama are steady, supported by strong demand.

Where We Are Now in Terms of Sha Maison Quality Evolution

Sha Maison Premier



Movie play



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The video focuses on where we are at in terms of Sha Maison quality evolution.

Webpage for Sha Maison Premier (in Japanese):

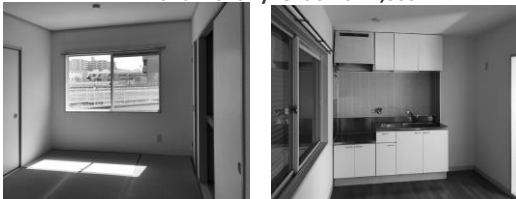
<https://www.sekisuihouse.co.jp/shm-keiei/product/premier/>

Sha Maison Unit Renovation

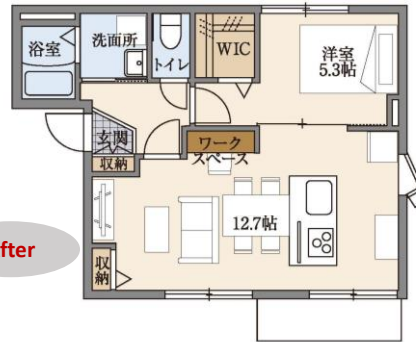
Before



2DK (42m²) located in a 28-year old building
with a monthly rent of ¥42,000



After



1LDK (42m²) with a monthly rent of ¥70,000



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We focus not only on constructing new buildings for rental housing but also on renovation proposals for old buildings.

As our buildings feature a steel-frame construction, they can provide performance that extends well past their statutory service life.

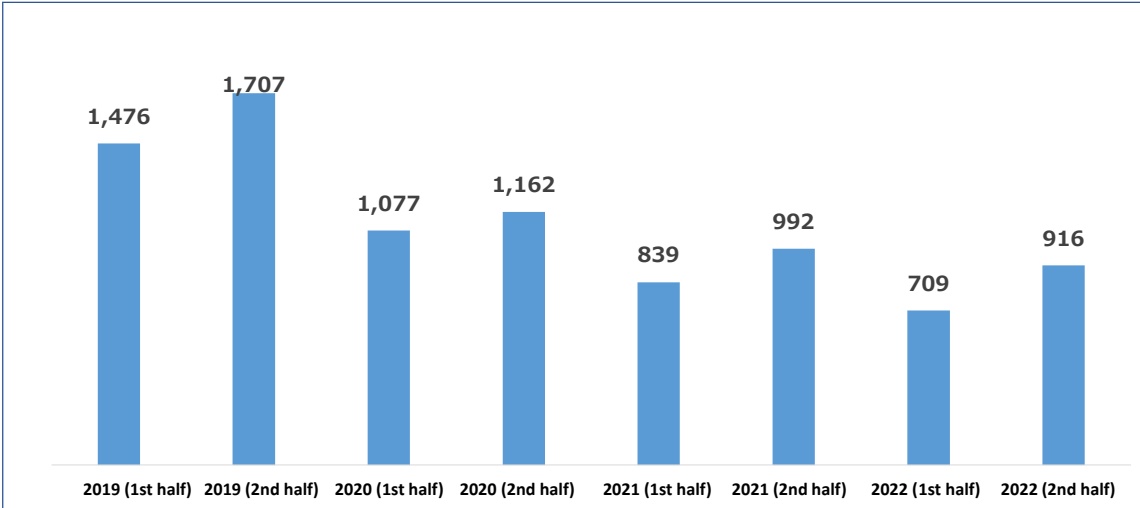
This is a unit in a 28-year old Sha Maison building. As lifestyles change, room layouts offer less effective performance.

By changing the room layout to a floor plan that matches a modern lifestyle without touching the building's structural frame, we were able to increase the rent by 1.6 times.

The owner's investment in the renovation was approximately ¥3.5 million.

Sha Maison Unit Renovation

Sekisui House Real Estate **Number of Units Under Management Formerly
Managed by Other Companies**



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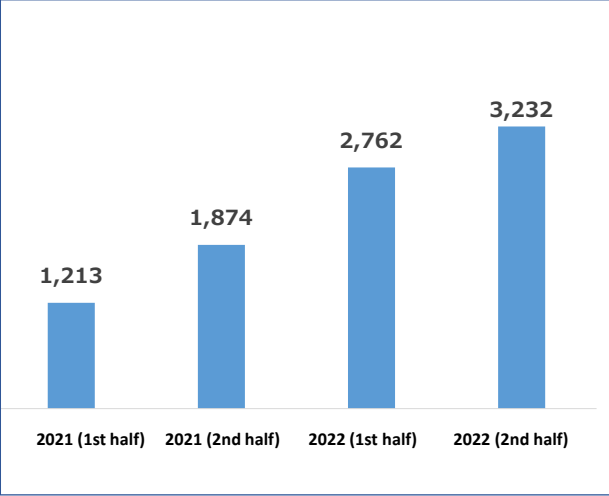


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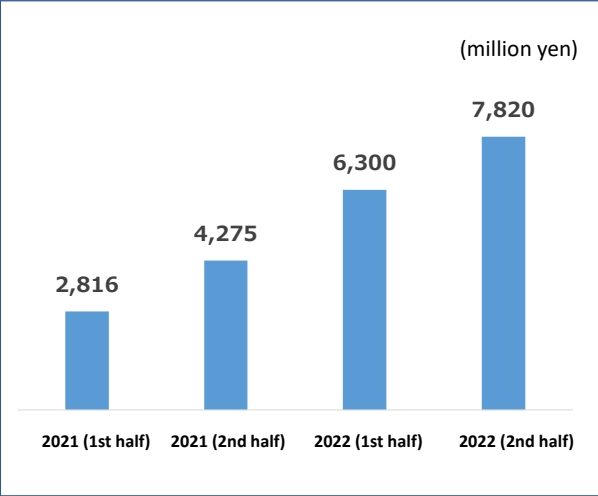
Sekisui House has supplied approximately 1.3 million rental housing units to the market, of which approximately 600,000 are managed by companies that are not part of the Sekisui House Group.
This chart shows the number of units formerly managed by other companies which were transferred for management by the Sekisui House Group after renovations like that mentioned previously were made.

Sha Maison Unit Renovation

Number of Renovation Orders



Order Value



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Sekisui House Real Estate companies currently manage approximately 690,000 rental housing units, and renovation orders for this supplied housing are increasing.

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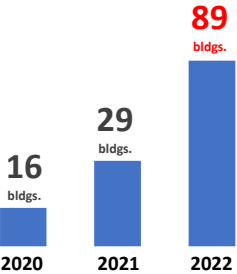
Green First Office (GFO)

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With Green First Office, we proposal applying our "residential" technology and design know-how to office construction.
A new product to support sustainable corporate growth



Trend in ZEB Orders



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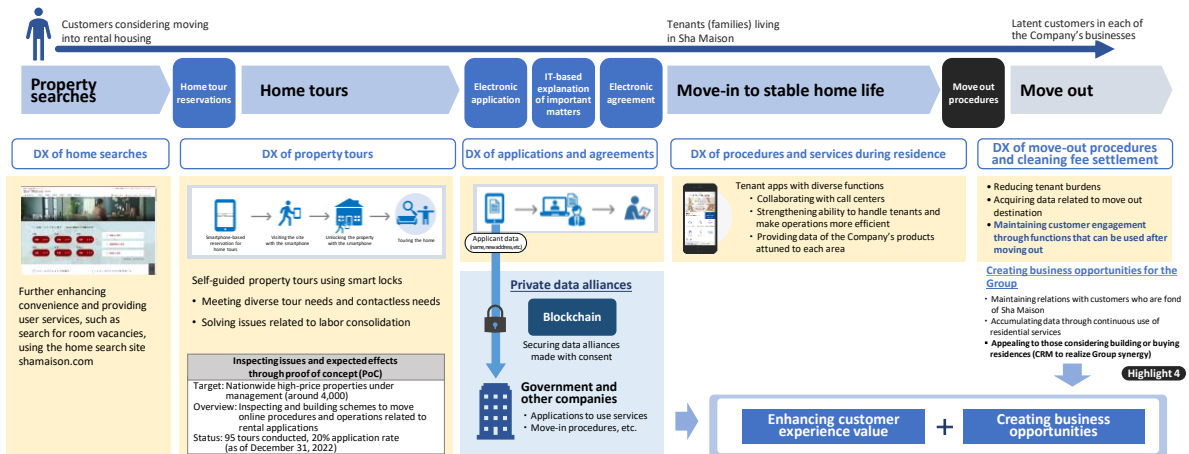


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I would now like to talk about one of our non-residential initiatives.
This is a proposal for office construction approach called Green First Office which meets the standards for zero-energy buildings based on energy-saving performance that we have cultivated through the creation of residences.
As we have received many requests from local companies in rural areas to review the way their offices should be built, we expect this market to expand.

Green First Office (GFO) Case Study (in Japanese):
<https://www.sekisuihouse.co.jp/crepre/greenfirstoffice/works01/>

Rental Real Estate DX (from the Sixth Mid-Term Management Plan)



1. Lower the **break-even point** of the rental business to further improve profitability
2. Revitalize **recurring business** through **CRM** starting with residents of rental properties

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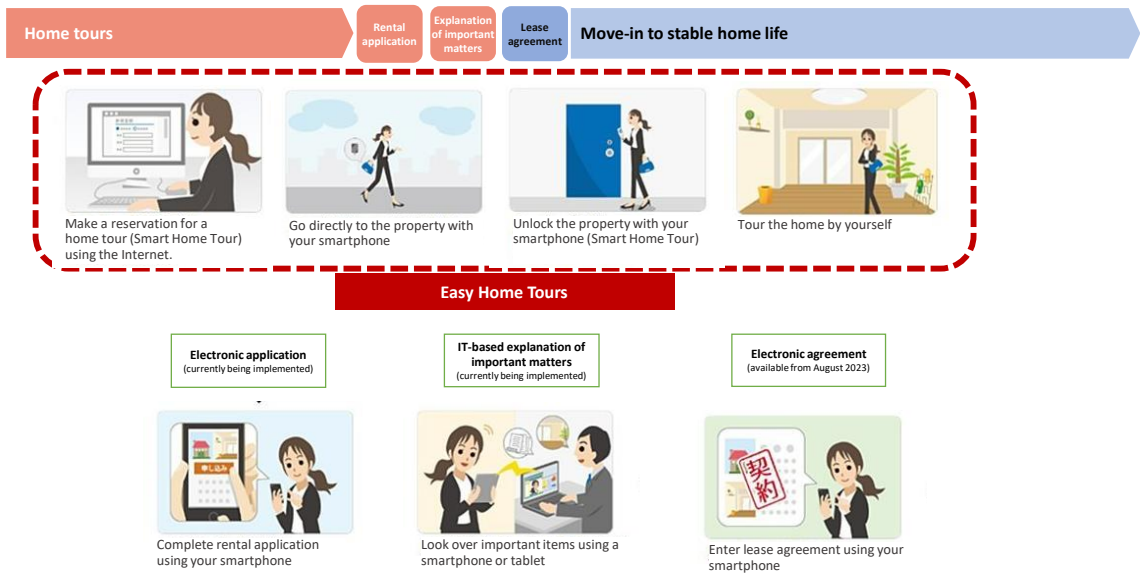
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This initiative is for the digital transformation (DX) of the rental real estate business. There are mainly two reasons for DX promotion of the rental real estate business. The first is to lower the break-even point of the labor-intensive rental business and improve profitability. The second is to further revitalize the recurring business by reviewing contact points with customers and services for those who experience Sekisui House quality for the first time as residents of rental properties.

Changeover of the Rental Property Mediation Business to an Online Format



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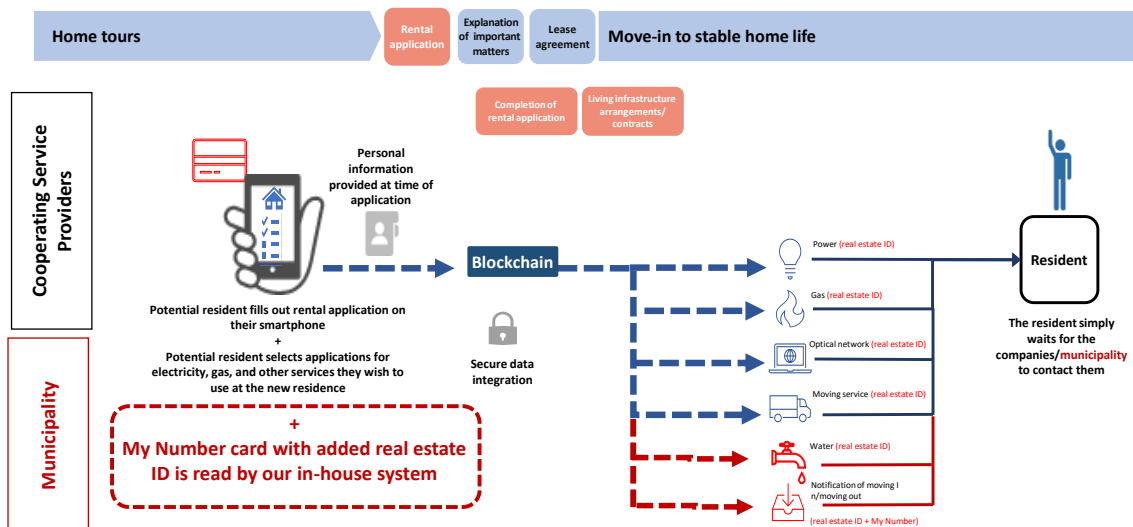
Among the approximately 20% of the residents living in 690,000 units currently under Sekisui House management, which is 130,000 households, are constantly moving in/out of properties.

In particular, February through April is an extremely busy period for providing rental property mediation services, attending home tours, and performing other tasks. We have conducted a Proof of Concept (POC) for easy home tours, allowing potential residents to complete everything from property searches to home tours using a smartphone at managed properties equipped with smart locks.

As a result, the system was highly evaluated for the ability to allow potential residents to view properties at their convenience. As a result, we will begin expanding the system to include smart locks as standard equipment.

With the launch of electronic agreements for rental housing scheduled for August, we will further contribute to the convenience of residents as business practices undergo major changes.

Initiative for DX Involving Collaboration with Municipalities in the Move-In Process Using Real Estate IDs



Adopted as the real estate ID public-private partnership model project under the Ministry of Land, Infrastructure, Transport and Tourism

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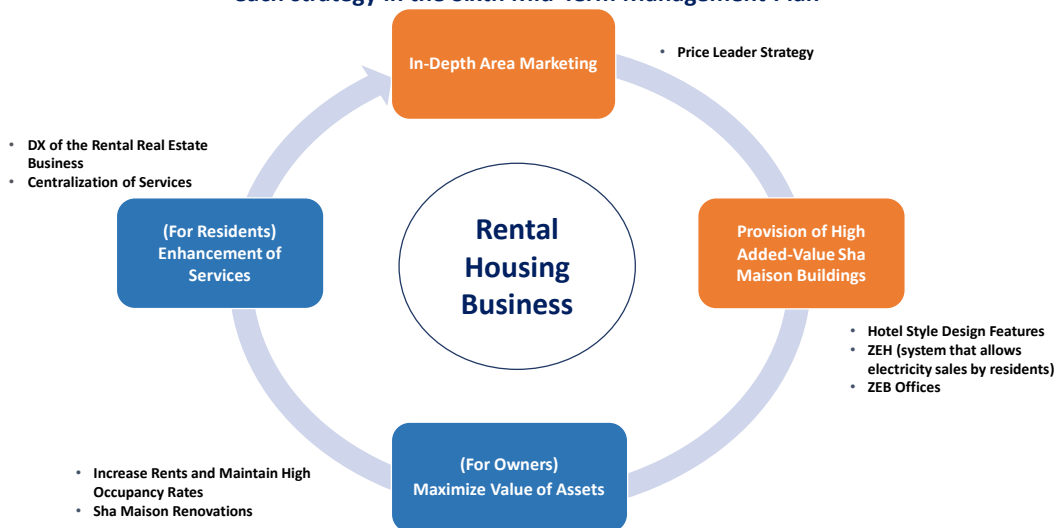
For residents, it is quite troublesome to set up living infrastructure services such as electricity, gas, and internet at the same time as entering a lease contract.

We have started to provide a one-stop service for the move-in process from 2021, and more than 130,000 service linkages have been made by approximately 86,000 residents.

In the future, we intend to deepen cooperation with municipalities and government agencies to promote one-stop services, such as water service activation and move in notification services.

This initiative has been adopted by the real estate ID public-private partnership model project under the Ministry of Land, Infrastructure, Transport and Tourism.

Driving "growth" in our domestic business through steady implementation of each strategy in the Sixth Mid-Term Management Plan



Closing this presentation with a short summary.

Our Rental Housing Business develops Sha Maison buildings in favorable locations through area marketing, contributing not only to residents and building owners but also to the surrounding townscapes.

In the area of CRE and PRE, we will utilize this know-how to increase proposals that contribute to corporate ESG management.

After building construction is completed, we will continue to contribute to the long-term stable management by owners through property management, and by earning high evaluations from residents, we will apply our know-how to the development of future properties.

There is still room for growth in the Rental Housing Business, which will continue to drive stable domestic business growth.

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