

# Sekisui House Group

## Company Presentation

### for FY2018

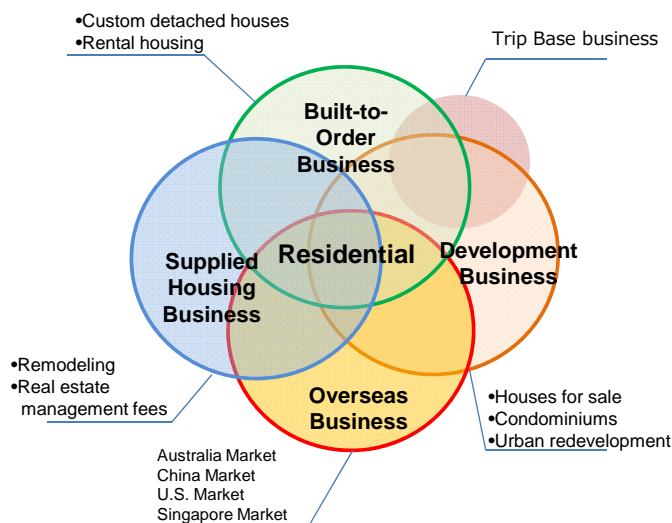


March 9, 2018



#### Basic Policy for the Fourth Mid-Term Management Plan

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



#### Management Direction

Deployment of growth strategies focused on the “residential” business domain

## Built-to-Order Business

Lead the industry as the top brand and challenge a new built-to-order business.

## Supplied Housing Business

Expand the business domain by creating new markets, taking advantage of existing houses.

## Development Business

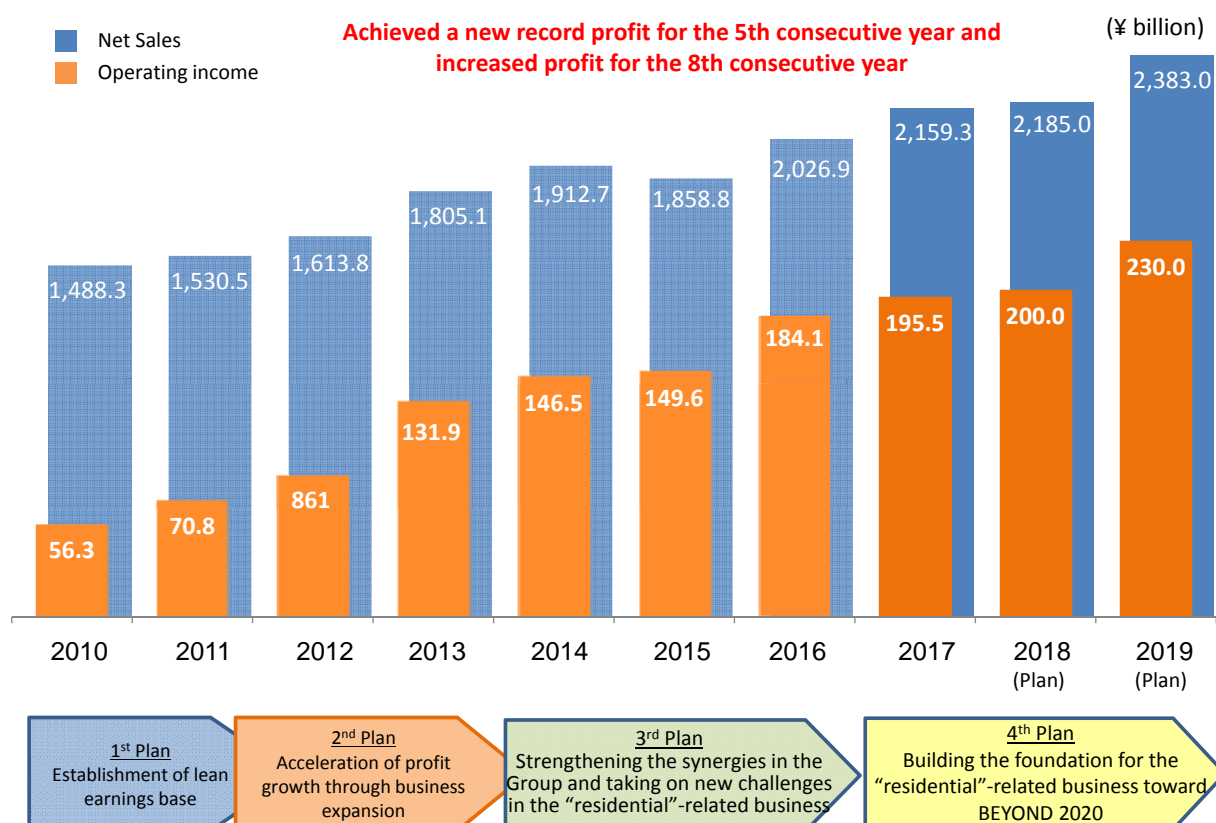
Focus on balance between growth investments and the asset turnover ratio.

## Overseas Business

Increase business opportunities by providing high value-added houses and housing environment internationally.

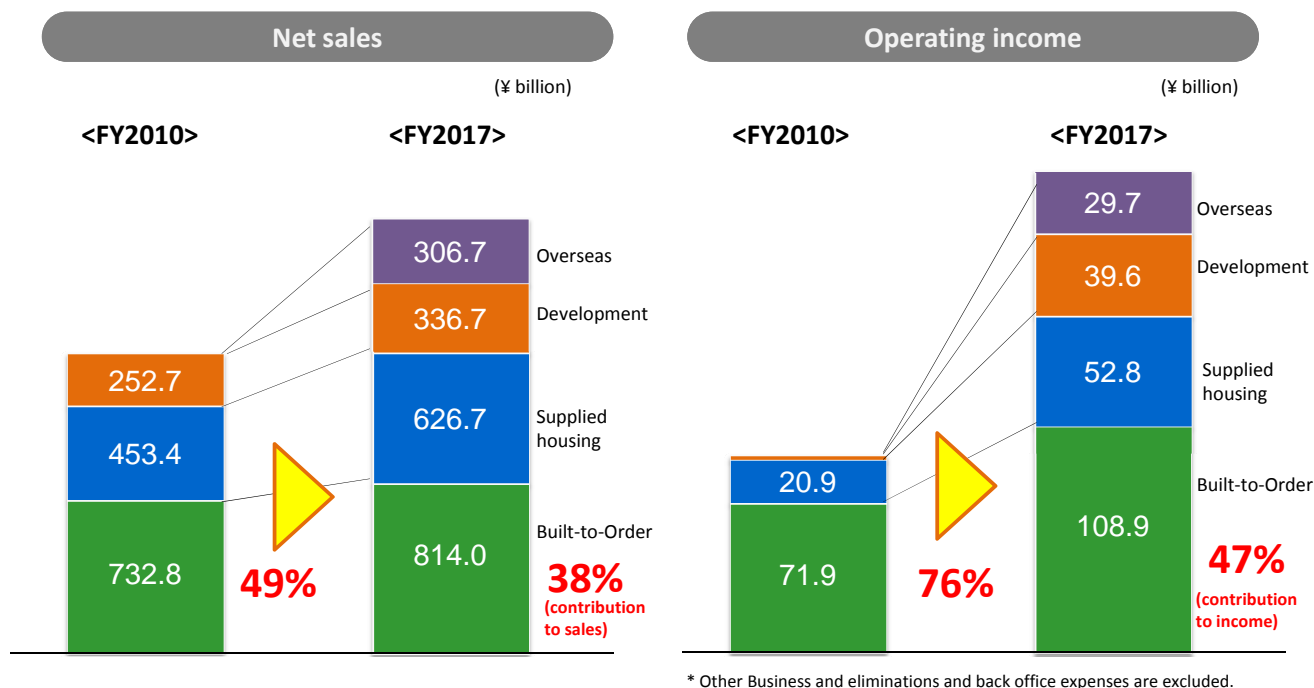
Sheet 2

## [Progress in Fourth Mid-Term Management Plan]



Sheet 3

## Each business model grew steadily in line with the mid-term management plan

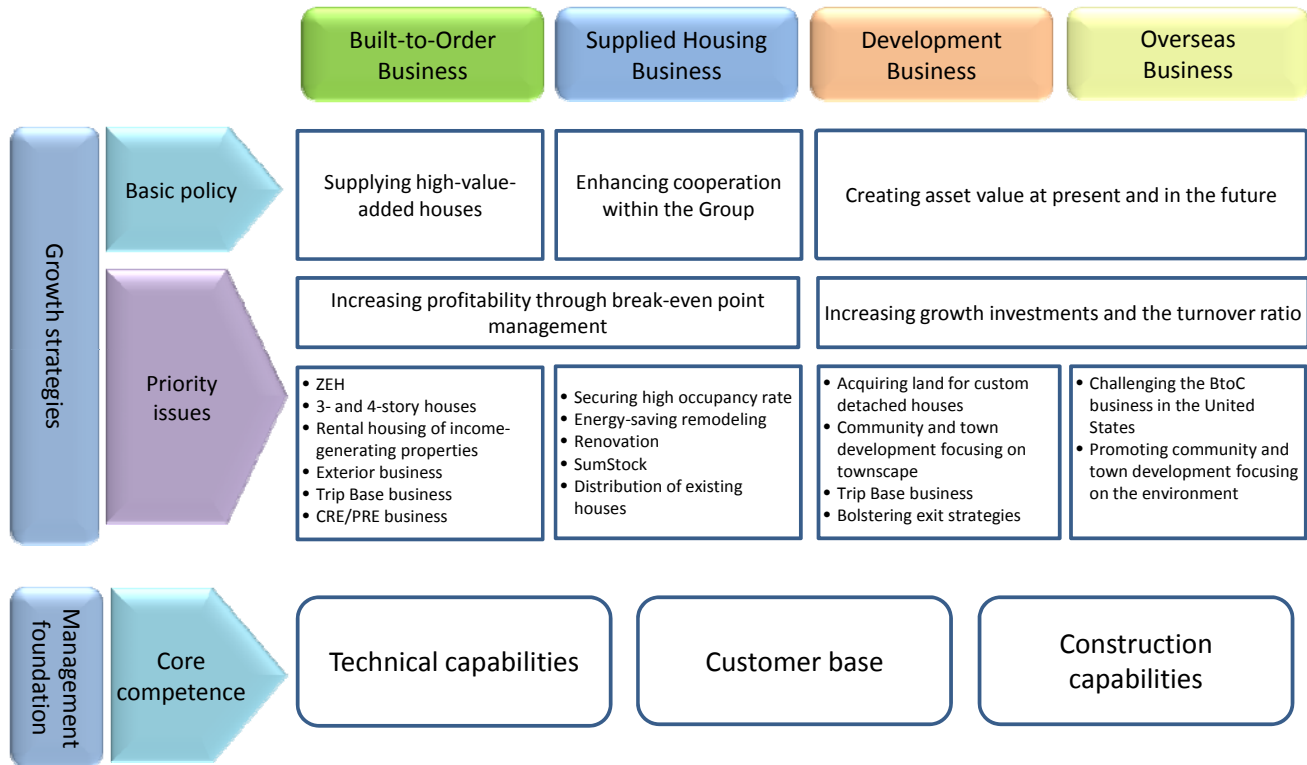


Sheet 4

## Earnings Plan (by Segment)

|                                     |                             | (¥ billion)    |                  |              |                |                  |              |                   |                  |              |
|-------------------------------------|-----------------------------|----------------|------------------|--------------|----------------|------------------|--------------|-------------------|------------------|--------------|
|                                     |                             | FY2017         |                  |              | FY2018 Plan    |                  |              | FY2019 Plan (MMP) |                  |              |
|                                     |                             | Net sales      | Operating income | OP Margin    | Net sales      | Operating income | OP Margin    | Net sales         | Operating income | OP Margin    |
| Built-to-Order Business             | Custom Detached Houses      | 371.1          | 48.0             | 12.9%        | 361.0          | 45.0             | 12.5%        | 395.0             | 50.0             | 12.7%        |
|                                     | Rental Housing              | 442.8          | 60.8             | 13.7%        | 453.0          | 62.0             | 13.7%        | 458.0             | 64.0             | 14.0%        |
|                                     | <b>Subtotal</b>             | <b>814.0</b>   | <b>108.9</b>     | <b>13.4%</b> | <b>814.0</b>   | <b>107.0</b>     | <b>13.1%</b> | <b>853.0</b>      | <b>114.0</b>     | <b>13.4%</b> |
| Supplied Housing Business           | Remodeling                  | 136.8          | 19.7             | 14.4%        | 144.0          | 21.5             | 14.9%        | 152.0             | 20.0             | 13.2%        |
|                                     | Real Estate Management Fees | 489.8          | 33.1             | 6.8%         | 511.0          | 35.0             | 6.8%         | 528.0             | 39.0             | 7.4%         |
|                                     | <b>Subtotal</b>             | <b>626.7</b>   | <b>52.8</b>      | <b>8.4%</b>  | <b>655.0</b>   | <b>56.5</b>      | <b>8.6%</b>  | <b>680.0</b>      | <b>59.0</b>      | <b>8.7%</b>  |
| Development Business                | Houses for Sale             | 155.4          | 13.4             | 8.7%         | 156.0          | 13.5             | 8.7%         | 145.0             | 13.5             | 9.3%         |
|                                     | Condominiums                | 77.4           | 9.2              | 11.9%        | 86.0           | 8.5              | 9.9%         | 80.0              | 7.7              | 9.6%         |
|                                     | Urban Redevelopment         | 103.7          | 169.0            | 16.4%        | 94.0           | 18.0             | 19.1%        | 145.0             | 18.0             | 12.4%        |
|                                     | <b>Subtotal</b>             | <b>336.7</b>   | <b>39.6</b>      | <b>11.8%</b> | <b>336.0</b>   | <b>40.0</b>      | <b>11.9%</b> | <b>370.0</b>      | <b>39.2</b>      | <b>10.6%</b> |
| Overseas Business                   |                             | 306.7          | 29.7             | 9.7%         | 300.0          | 33.0             | 11.0%        | 400.0             | 55.0             | 13.8%        |
| Other Businesses                    |                             | 75.1           | 1.2              | 1.6%         | 80.0           | 1.5              | 1.9%         | 80.0              | 0.8              | 1.0%         |
| Eliminations and corporate expenses |                             | -              | (36.9)           | -            | -              | (38.0)           | -            | -                 | (38.0)           | -            |
| <b>Consolidated</b>                 |                             | <b>2,159.3</b> | <b>195.5</b>     | <b>9.1%</b>  | <b>2,185.0</b> | <b>200.0</b>     | <b>9.2%</b>  | <b>2,383.0</b>    | <b>230.0</b>     | <b>9.7%</b>  |

Sheet 5



## [Built-to-Order Business: Key Initiatives]

- Sales of high-value-added houses and the further enhancement of break-even point management through production and logistics reforms
- Increase in orders through the multifaceted development of β system construction method (3- and 4-story houses) and the SW construction method for hotels, nursery homes and hospitals, etc.
- Enhancement of the exterior business

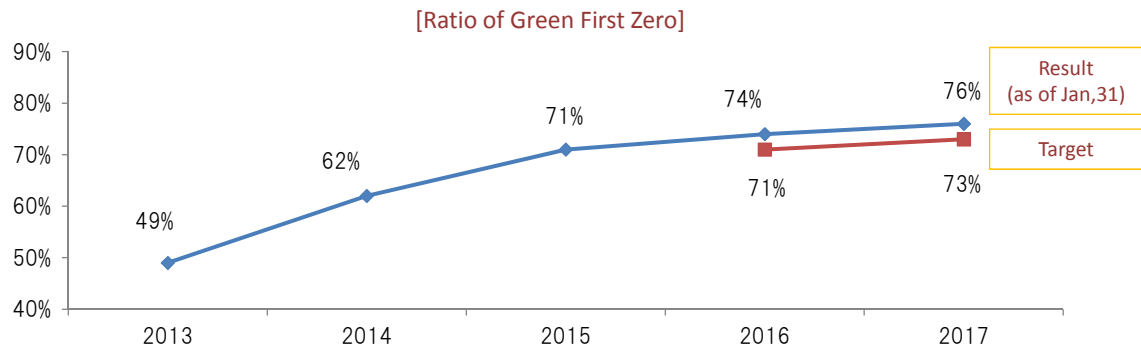
| Custom Detached Houses   | Rental Housing   | Exterior   |
|--|--|--|
| <ul style="list-style-type: none"> <li>○ Sales expansion of Green First Zero (ZEH)</li> <li>○ Appeal of our original exterior walls (internal manufacturing)                             <ul style="list-style-type: none"> <li>• Dyne Concrete (steel frame houses)</li> <li>• Bellburn (earthenware exterior wall, wood frame houses)</li> </ul> </li> <li>○ Differentiation with our original technologies                             <ul style="list-style-type: none"> <li>• SHEQAS seismic response control system</li> <li>• Airkis air eco-friendly system</li> </ul> </li> <li>○ Establishment of a customer attraction method using IT</li> </ul> | <ul style="list-style-type: none"> <li>○ Strengthening of area marketing</li> <li>○ Challenge to the inbound business                             <ul style="list-style-type: none"> <li>• Temple lodging project</li> <li>• Development of hotels and private residences</li> </ul> </li> <li>○ Expansion of the CRE/PRE business                             <ul style="list-style-type: none"> <li>• Use of idle land of business corporations</li> <li>• Expansion of regional revitalization and redevelopment projects</li> </ul> </li> <li>○ Stronger sales of income-generating property Sha Maison</li> </ul> | <ul style="list-style-type: none"> <li>○ Promotion of the “Gohon no ki” landscaping plan</li> <li>○ Entry into the exterior market</li> <li>○ Active engagement in green redevelopment projects</li> <li>○ Appeal of an environmentally advanced company                             <ul style="list-style-type: none"> <li>Declared and signed in on the Global Alliance for Buildings and Construction at COP21 as a private-sector company in Japan (Paris Agreement).</li> </ul> </li> </ul> |



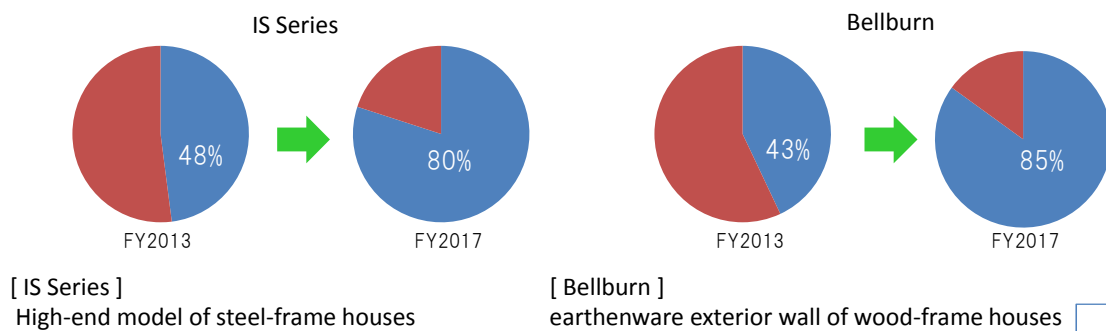
## [(Custom Detached Houses) Supplying high-value-added houses ]



**ZEH, which is a key sales initiative, sales expansion of the high-end product group, and the presentation of original technologies were all clear successes.**



[Trends in weighting of high value-added products: IS Series (steel-frame) and Bellburn (wood-frame)]

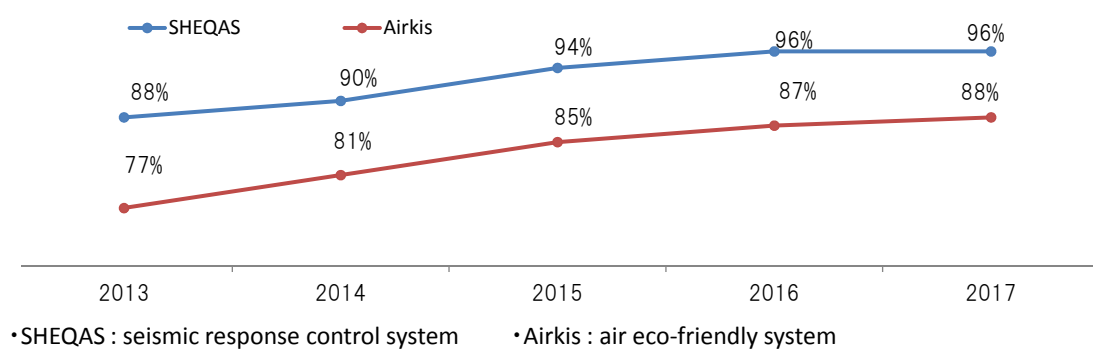


Sheet 8

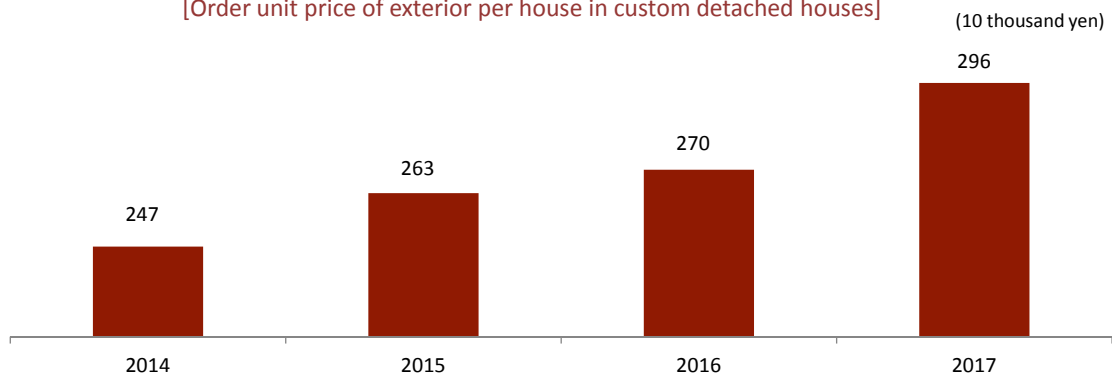
## [(Custom Detached Houses) Supplying high-value-added houses ]



[Changes in the customer adoption rate of SHEQAS and Airkis]

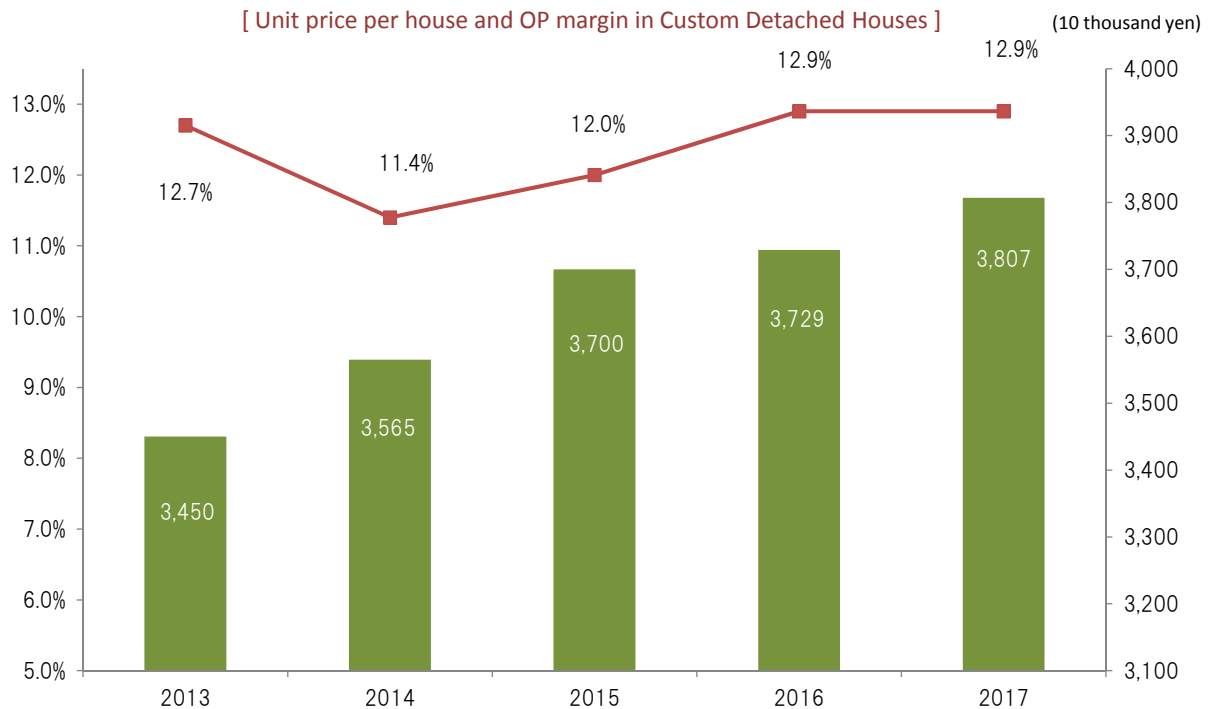


[Order unit price of exterior per house in custom detached houses]



Sheet 9

**The unit price per house rose as a result of proposing high value-added houses.**



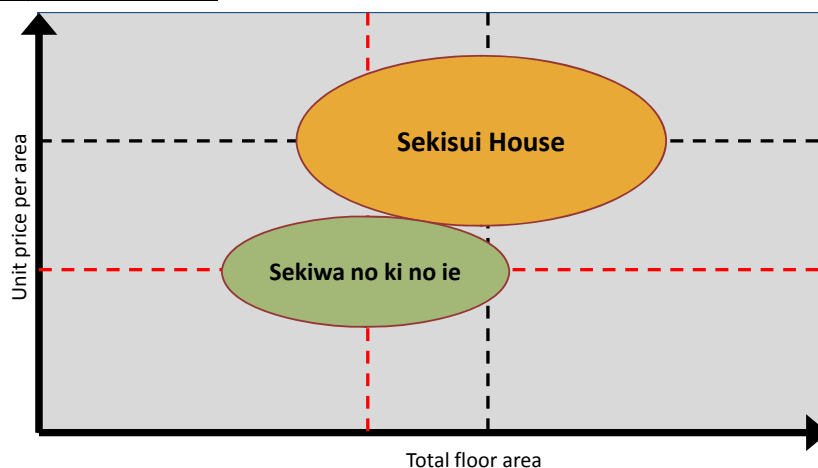
Sheet 10

**Sought to expand sales of the middle price range with the second brand.**

As the second brand of Sekisui House, "Sekiwa no ki no ie," a wooden house by Sekiwa Construction,

- 1 **Sharing the basic design concept (safety and comfort, etc.) with Sekisui House, and**
- 2 **Taking advantage of the construction quality of Sekiwa Construction while promoting the rationalization of plans and specifications,**
- 3 **Provide quality houses at an affordable price for the young customer segment.**

Market targeted by "Sekiwa no ki no ie"



**Covering the market between those for Sekisui House and houses of general builders.**

Sheet 11

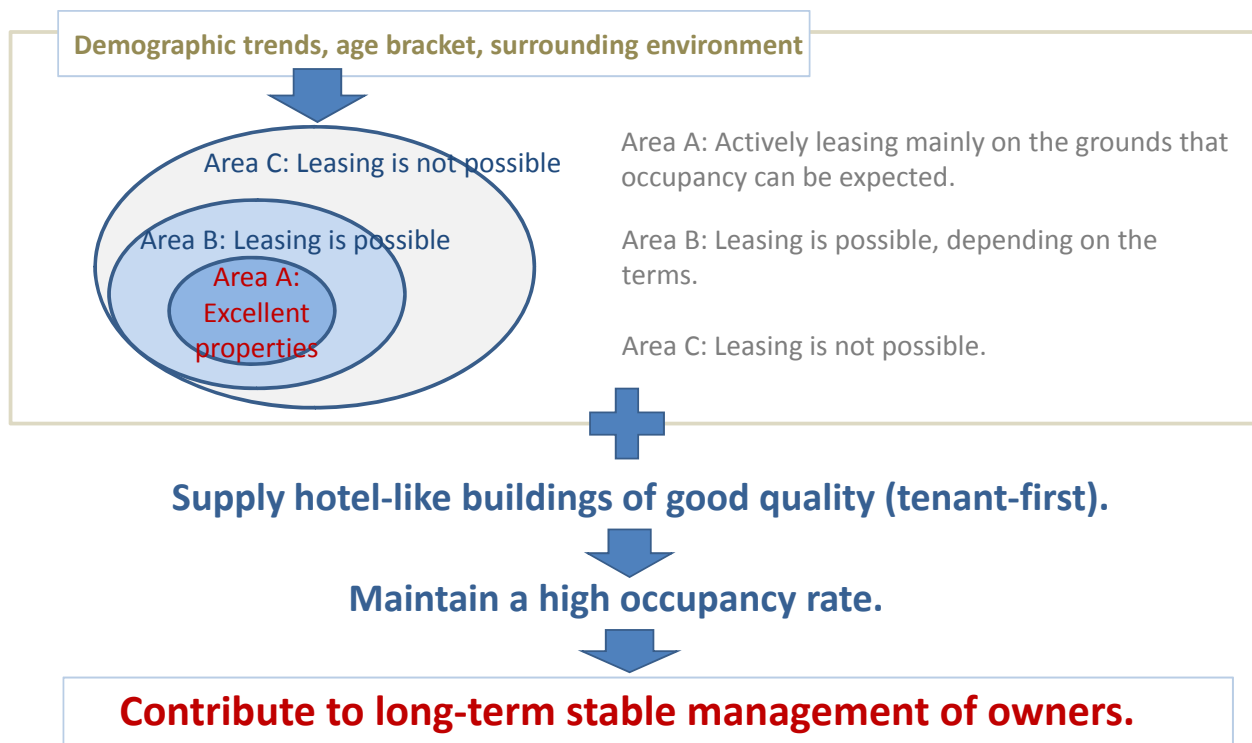




Sheet 12

**Differentiate from competitors by area marketing centered on urban areas.**

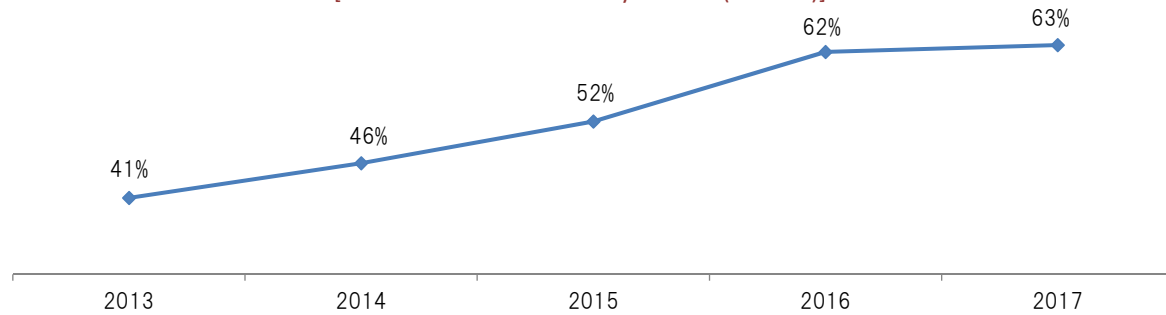
[Set a target based on market analysis]



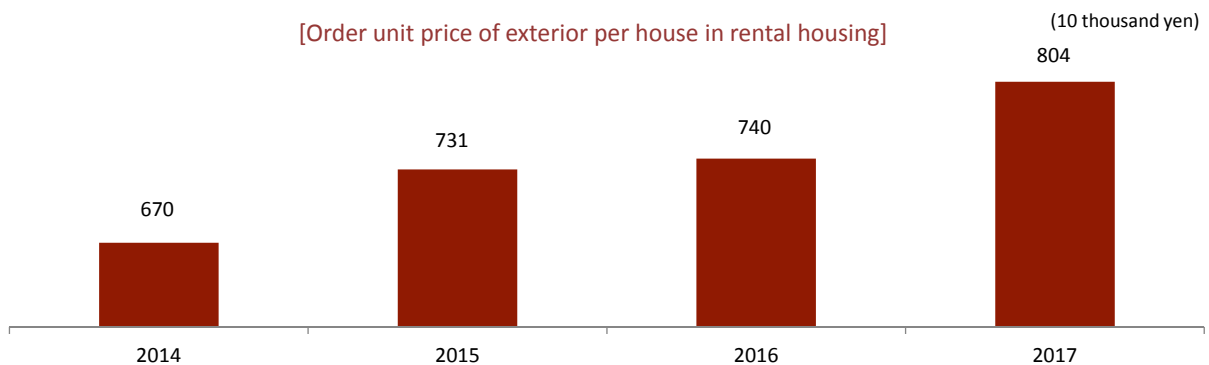
Sheet 13

**The ratio of 3- and 4-story houses rose due to area marketing centered on urban areas, and strengthened exteriors.**

[Ratio of three- or four-story houses (in value)]



[Order unit price of exterior per house in rental housing]

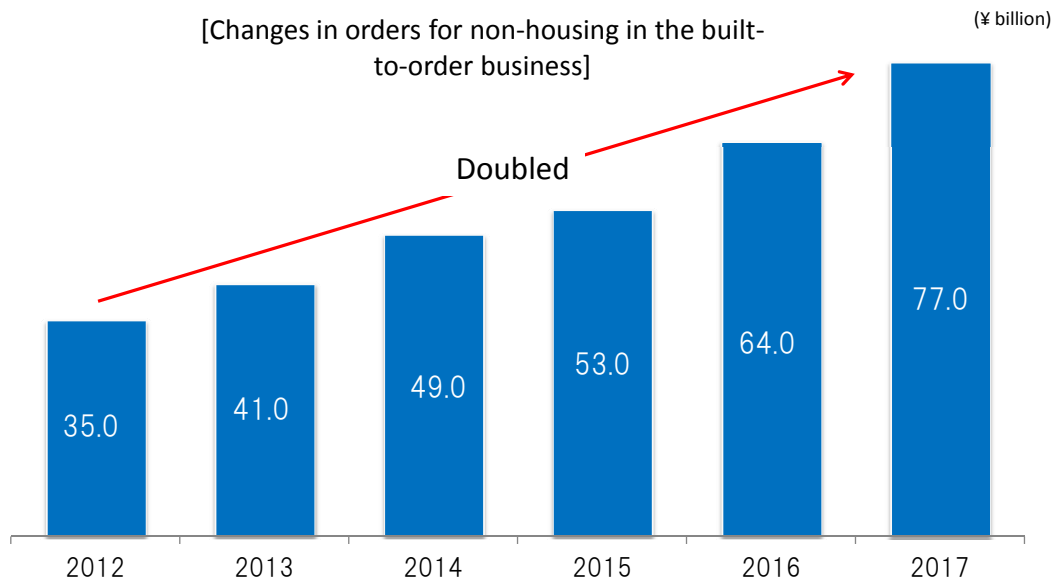


Sheet 14

**Orders for both materials shipped from factories and RC increased in the non-housing areas.**

- Responded to diverse architectural needs in urban areas with the degree of freedom in design and proposal capability of the  $\beta$  system construction method.
- Expanded business by collecting information on CRE and PRE and enhancing cooperation within the Group.
- Built nursery homes, etc. using the Shawood construction method (wooden construction).

[Changes in orders for non-housing in the built-to-order business]

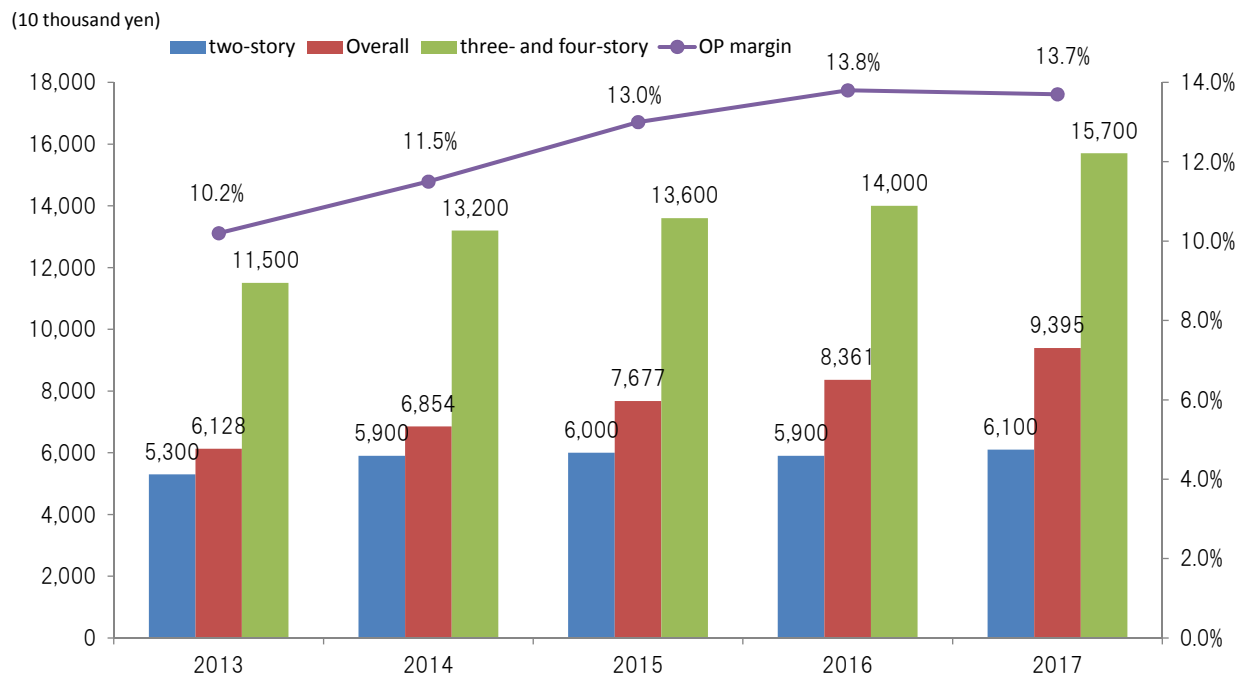


Sheet 15



**The unit price per house rose with the proposal of 3- and 4-story houses and high-quality rental housing.**

[ Unit price per house and OP margin of Rental housing ]



Sheet 16

**Bolstered the response to diverse architectural needs in urban areas by increasing the degree of freedom in design and space proposal capability.**  
**Developed the “flexible  $\beta$  system,” a new construction method for 3- and 4-story houses.**

[High-strength pillars]



Introduced “slow living,” a bright, open and comfortable space with even wider openings.



Store with a large space taking advantage of the high degree of freedom in design.

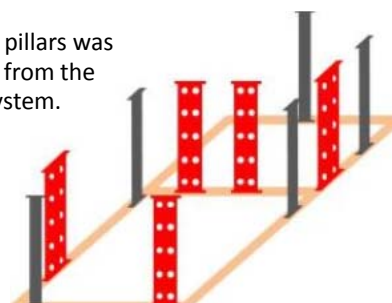
[Existing  $\beta$  system]



The number of pillars was reduced 25% from the existing system.



[Flexible  $\beta$  system]

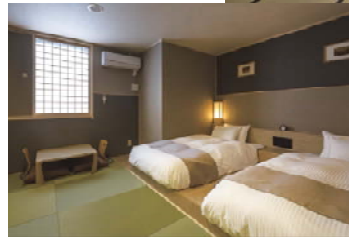


Better tailored to the site and a higher degree of freedom in design

Sheet 17



Nursery in Koto-ku, Tokyo



Temple lodging in Tennoji-ku, Osaka city

Sheet 18

## [Supplied Housing Business : Key Initiatives]

- Increase in the asset value of quality housing stock
- Active proposal of large-scale renovation and comfortable and energy-saving remodeling
- Creation of the distribution market for existing houses (promotion of SumStock and the use of big data)

### Remodeling

- Enhancement of renovation  
From maintenance-type remodeling to lifestyle proposal-type remodeling
- Enhancement of rental housing remodeling  
Increase in the asset value of owners by maintaining a high occupancy rate
- Further enhancement of remodeling of general custom detached houses and condominiums
  - Re:QUEST (for general custom detached houses)
  - RENOVETTA (for condominiums)



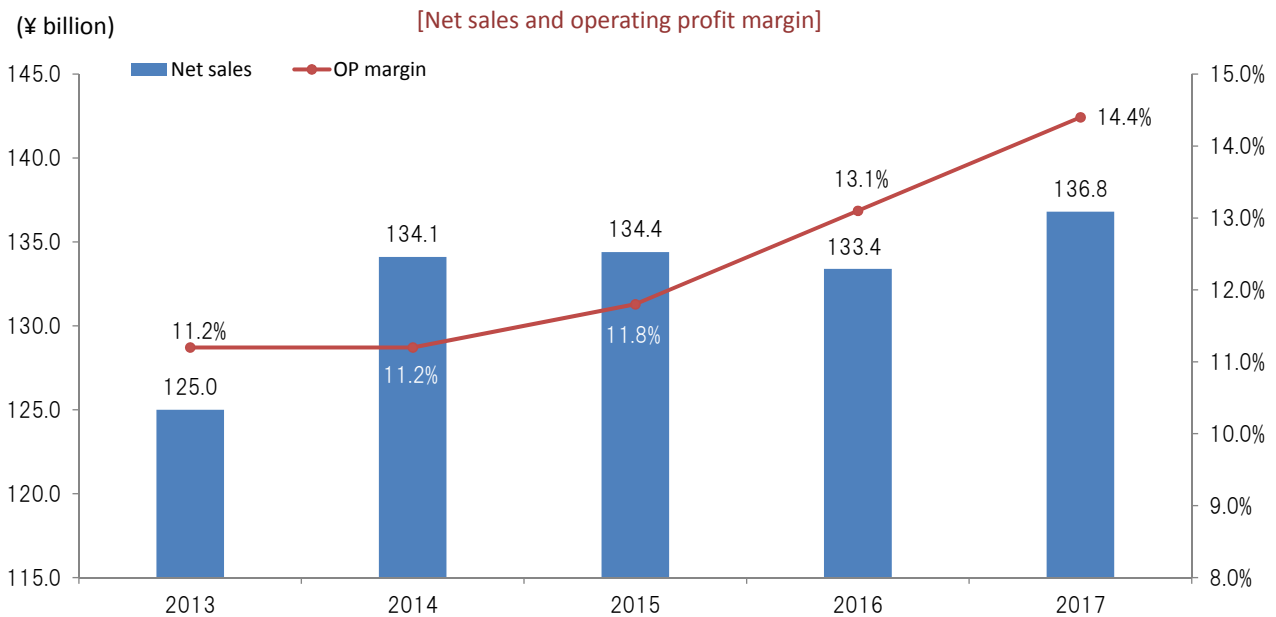
### Real Estate Management Fees

- Securing a high occupancy rate.
- Increase in the asset value of owners by improving the quality of management operations
- Strengthening the earnings power by the price leader strategy.
- Strengthening SumStock and the real estate brokerage business.



Sheet 19

**With proposals for major remodeling, etc. a success, we were able to increase sales amid a contraction of the remodeling market.**



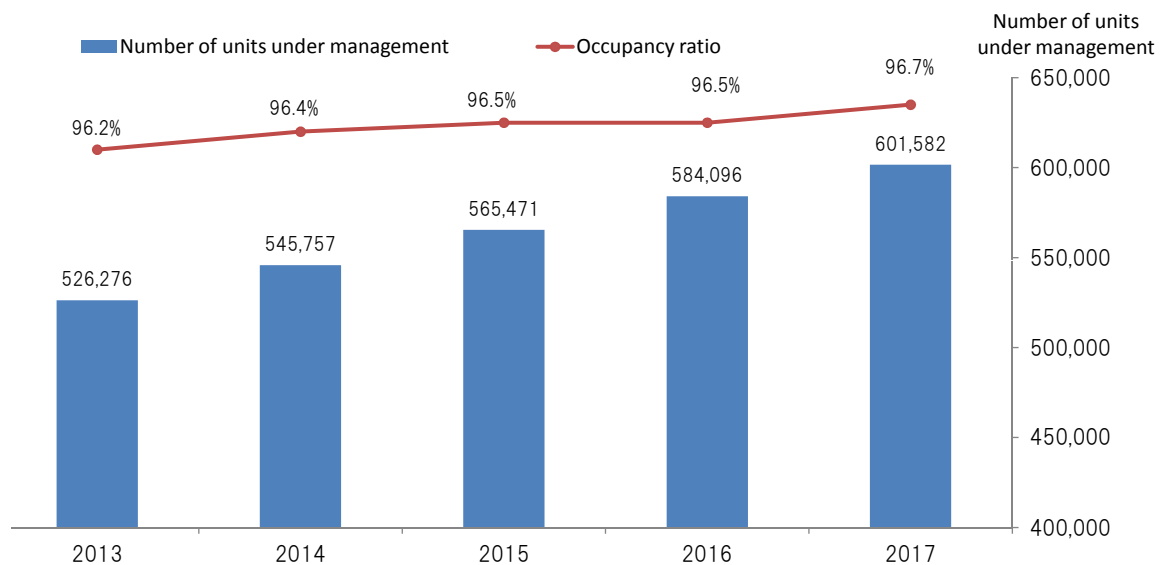
**Challenges for the growth of the remodeling business**

- Promotion of proposal-type remodeling and energy-saving remodeling
- Recruitment and development of human resources

Sheet 20

**An increase in the number of managed rooms and the continued maintenance of a high occupancy rate by supplying high-quality rental housing**

<Number of units under management / Occupancy ratio>



**Efforts to increase earnings in the real estate management fees business**

- Improvement in the tie-up ratio
- Strengthening of the brokerage business

Sheet 21

## [Development Business: Key Initiatives]



- Focusing on development that will increase the asset turnover ratio by carefully selecting valuable land.
- Developing “Communities” that will increase in asset value in the future.
- Leading the industry by actively adopting environmental technologies in the development business.

### Houses for Sale

- Active development of smart towns
- Branding by actively engaging in community
- Appeal of reconstruction in areas around land for sale
- Spillover effects of the active development of built-to-order houses on the Custom Detached Houses Business
- Differentiation with the appeal of the concept of “beauty that blooms with time”



Common Stage Sakasegawa (Hyogo)

### Condominiums

- All-out area strategy targeting Tokyo, Nagaya, Osaka and Fukuoka
- Active development of eco-friendly ZEH condominiums, etc.
- Mounting of advanced technologies such as a hybrid seismic isolation vibration control system.



Grande Maison Shin-Umeda Tower

Grande Maison Uchikyuhoji Tower

### Urban Redevelopment

- Collaboration with two REITs in the development of high-quality offices and rental housing
- Active development of Japanese-style CCRC
- Development of hotels and extended-stay service apartments in anticipation of inbound demand



Extended-stay high-end service apartment

Honmachi Garden City

Sheet 22

## [Development Business: Condominiums Business]

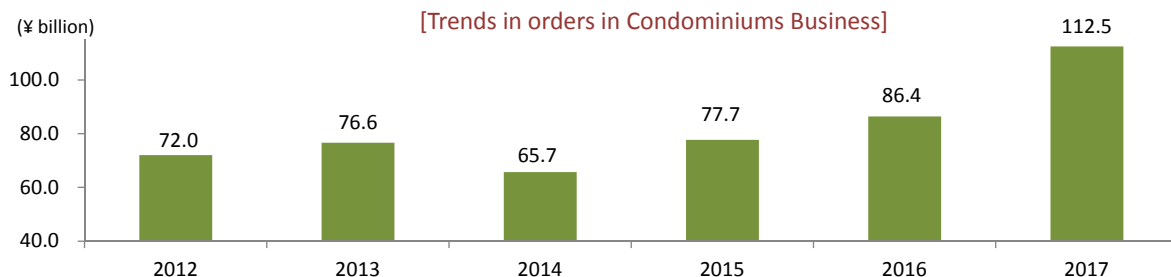


**Area marketing focusing on Tokyo, Nagoya, Osaka and Fukuoka was successful.**

### [Trends in orders in Condominiums Business]

Sales of “Grande Maison Shin-Umeda Tower”, “Grande Maison Shinagawa Seaside-no Mori”, and “Grande Maison Uemachidai the tower” etc. were strong, suggesting that area marketing was successful.

Made progress in the posting of solid earnings during the period of the mid-term management plan.  
Maintained a strong performance in a weak market.



Grande Maison Shinagawa Seaside-no Mori



Grande Maison Uemachidai the tower



Grande Maison Kakuozan kikuzakacho

**Japan's first condominium with all dwelling units being ZEH**

Sheet 23



## Sold properties as planned.

### [Progress in urban redevelopment business]

Sold Hommachi Garden City (part of St. Regis) and Garden City Shinagawa Gotenyama (partial) to Sekisui House Reit, Inc.

Also sold other properties according to the plan.

Sales from property sales: ¥57.8 billion

Operating income from property sales: ¥9.9 billion

## Development of luxury hotels for inbound tourism

### [Developed Marriot brand “W OSAKA”]



Garden City Shinagawa Gotenyama



Honmachi Garden City



Will be opened in Feb. 2021

Sheet 24

# [Overseas Business: Key Initiatives]

## Australia

We will emphasize business that will create value for society and community through the provision of a high value-added housing environment for residents, as well as townscapes that are compatible with nature, regional revitalization, energy saving, etc.

Around Sydney Harbour, more than 3,000 houses have already been sold. Aiming for sustainable growth, we will carry out the sustainable large-scale complex urban development of approximately 8,000 houses in this area alone, including a new project designed by Kengo Kuma.

In the Hermitage in the suburbs of Sydney, the development of housing land and sales of Shawood, our original industrialized housing, are strong. We will expand our supply capacity and business.



Complex development in Brisbane

## China

In Taicang, Suzhou, Wuxi and Shenyang, we are developing low-rise housing with our original β system and the condominium business in the “Yuqin” brand.

Taking advantage of the know-how and experience we have developed in Japan, high-quality construction, the introduction of environmental technologies and an enhanced after-sales service system have penetrated the local market as the one-of-a-kind brand of Sekisui House, and this has led to strong sales.

Deepening these differentiation factors, we will continue and strengthen the appeal to the wealthy class.

We aim to secure stable earnings by responding to market trends.



Town house near Shanghai

## U.S.A

We will develop business that will help realize a sustainable society by building on good relations with local partner companies.

In the community (residential housing land development) business, we will promote sales of housing land with higher value by focusing on the market with a good business environment. In the multi-family (urban rental housing development) business, we will secure solid earnings by developing highly competitive projects.

As a new business domain, we will enter the housing sales business on developed housing land. We will seek to expand our business by considering a range of possibilities, including the introduction of environmental technologies and IoT.



Urban rental housing in Seattle

## Singapore

Houses in seven projects developed with local partner companies have almost sold out, and we will pursue sales in a planned manner in projects which we have already acquired. We will also seek to acquire new projects continuously by solidifying the good relationship we have built with our partner companies.

In each project, we will provide the market with new value by adding our design know-how to high-quality resident-conscious houses, paying attention to the environment.



Complex development of commercial facility and condominium

Sheet 25

## [Overseas Business: Sales properties (FY2017) ]



### <Australia>

|  |          |
|--|----------|
| Condominiums                             | ¥53.2 bn |
| Detached houses for sale, built-to-order | ¥8.3 bn  |



Wentworth Point (Taiga) 372 units



Jewel 220 units



Central Park (Connor) 178 units

### <U.S.A.>

|                              |          |
|------------------------------|----------|
| Community development        | ¥52.9 bn |
| Rental residence development | ¥61.9 bn |
| Housing sales                | ¥88.7 bn |



Westlake Steps 2 buildings



Elyson 208 lots



Woodside Homes 1,940 units

### <China>

|              |          |
|--------------|----------|
| Condominiums | ¥35.0 bn |
|--------------|----------|



Taicang 262 units



Suzhou 81 units

In addition, sold a part of our interest in the Wuxi and Shenyang projects in November.

Amount sold ¥25.3 billion  
Profit ¥9.5 billion

Sheet 26

## [Overseas Business]



### [Earnings Plan]

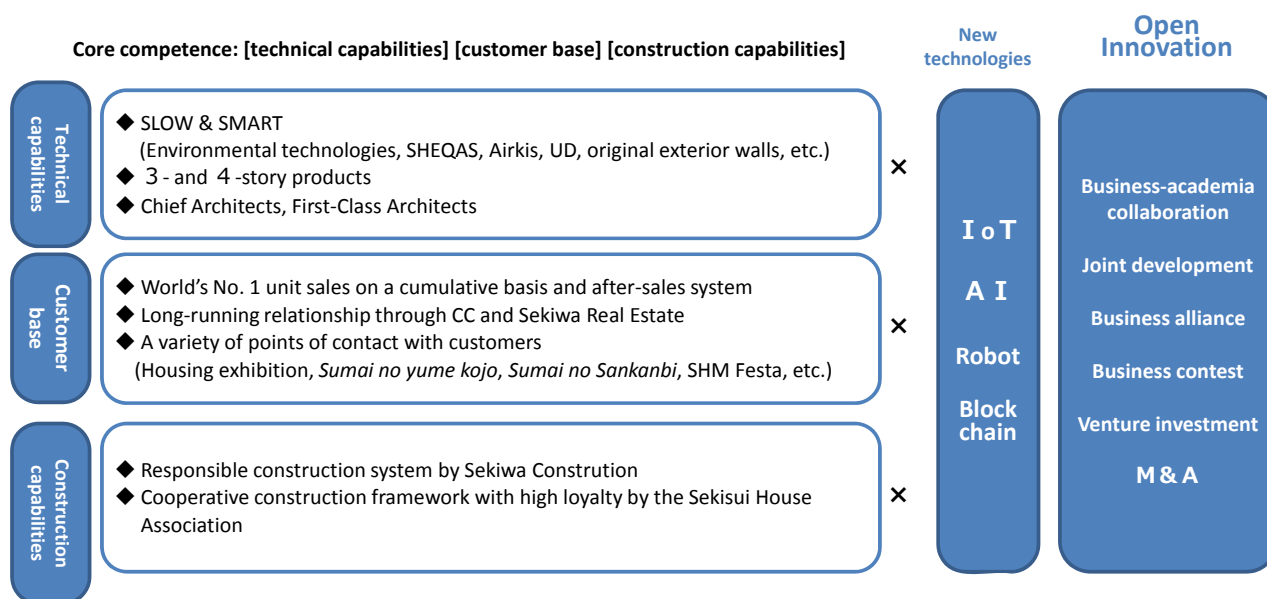
(¥ billion)

| Country                       | FY2016    |                  |                 |        | FY2017    |                  |                 |        | FY2018 (Plan) |                  |                 |        |
|-------------------------------|-----------|------------------|-----------------|--------|-----------|------------------|-----------------|--------|---------------|------------------|-----------------|--------|
|                               | Net sales | Operating income | Ordinary income | Orders | Net sales | Operating income | Ordinary income | Orders | Net sales     | Operating income | Ordinary income | Orders |
| Australia                     | 45.2      | 6.9              | 6.7             | 12.3   | 61.5      | 9.9              | 10.0            | 45.2   | 45.0          | 5.4              | 5.5             | 45.0   |
| China                         | 41.6      | 0.5              | 0.3             | 43.7   | 37.9      | 2.4              | 2.5             | 36.3   | 40.0          | 3.0              | 3.2             | 35.0   |
| U.S.A.                        | 95.1      | 18.7             | 18.2            | 102.7  | 207.1     | 18.3             | 16.4            | 234.8  | 215.0         | 25.7             | 23.9            | 220.0  |
| Singapore                     | -         | -                | 3.0             | -      | -         | -                | 0.7             | -      | -             | -                | 3.6             | -      |
| Other administrative expenses | -         | (1.0)            | (1.0)           | -      | -         | (1.0)            | (1.0)           | -      | -             | (1.1)            | (1.1)           | -      |
| Total                         | 182.1     | 25.1             | 27.4            | 158.8  | 306.7     | 29.7             | 28.7            | 316.4  | 300.0         | 33.0             | 35.1            | 300.0  |

\*The Singapore business is classified under equity in earnings (losses) of affiliates.

Sheet 27

## 《Building the foundation for the “residential”-related business toward BEYOND 2020》



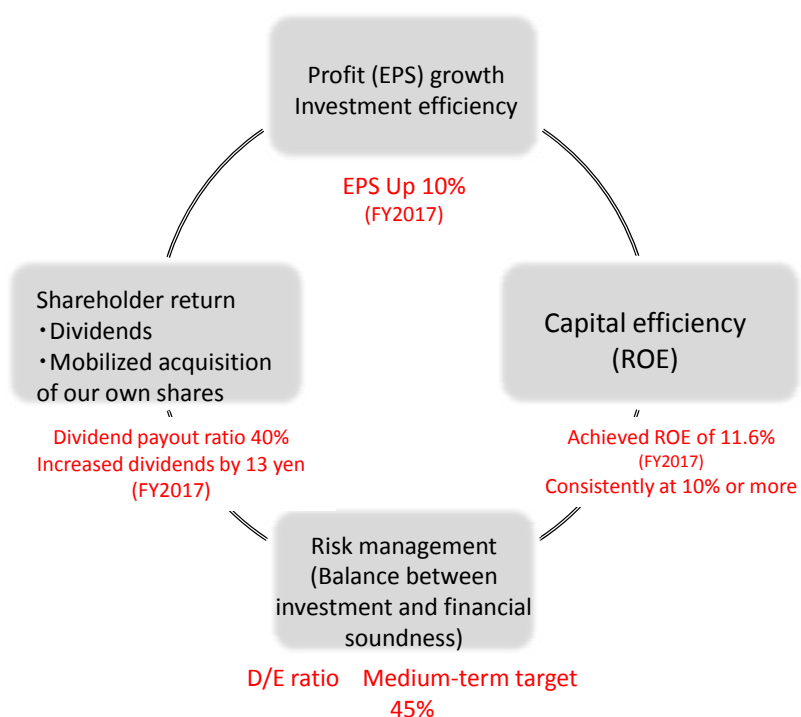
August 2020: Celebrating the 60th anniversary of our founding.

**Promote new business development by integrating hardware and software.**

Sheet 28

## [Financial Strategy]

Promote a balanced capital policy focusing on growth investment, shareholder return and a credit rating.



**Issued hybrid bonds of 120 billion yen in August 2017.**

<Purpose>

To apply funds to growth strategies and increase capital to maintain financial soundness and the credit rating.

<Use of funds>

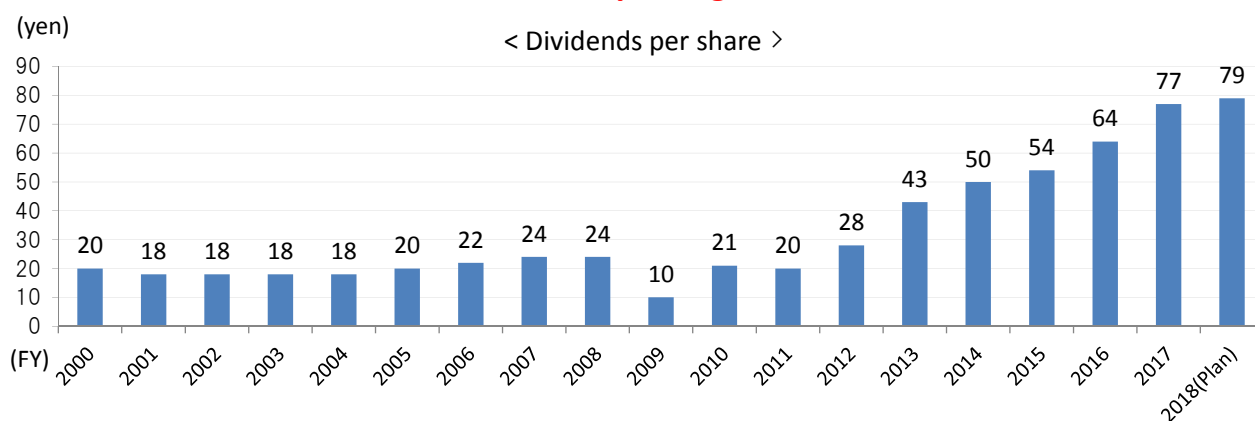
Appropriate funds for the cost of borrowings for the acquisition of Woodside Homes in which we made a prior investment and the redemption of bonds that will mature in the future.

**Aim to improve free cash flows by achieving a balance between investment in growth and capital efficiency.**

Sheet 29



**Dividends continue to increase along with the average payout ratio of 40% and profit growth.**



|                           | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 Plan | FY2019 Plan                 |
|---------------------------|--------|--------|--------|--------|--------|--------|-------------|-----------------------------|
| EPS (yen)                 | 69.17  | 118.63 | 130.91 | 120.16 | 175.48 | 193.06 | 197.07      | 215.92                      |
| Dividends per share (yen) | 28.00  | 43.00  | 50.00  | 54.00  | 64.00  | 77.00  | 79.00       | Payout ratio of average 40% |
| Payout ratio              | 40.5%  | 36.2%  | 38.2%  | 44.9%  | 36.5%  | 39.9%  | 40.1%       |                             |

Sheet 30

## Environment

Our attitude to work for the environment is valued in many fields.

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM



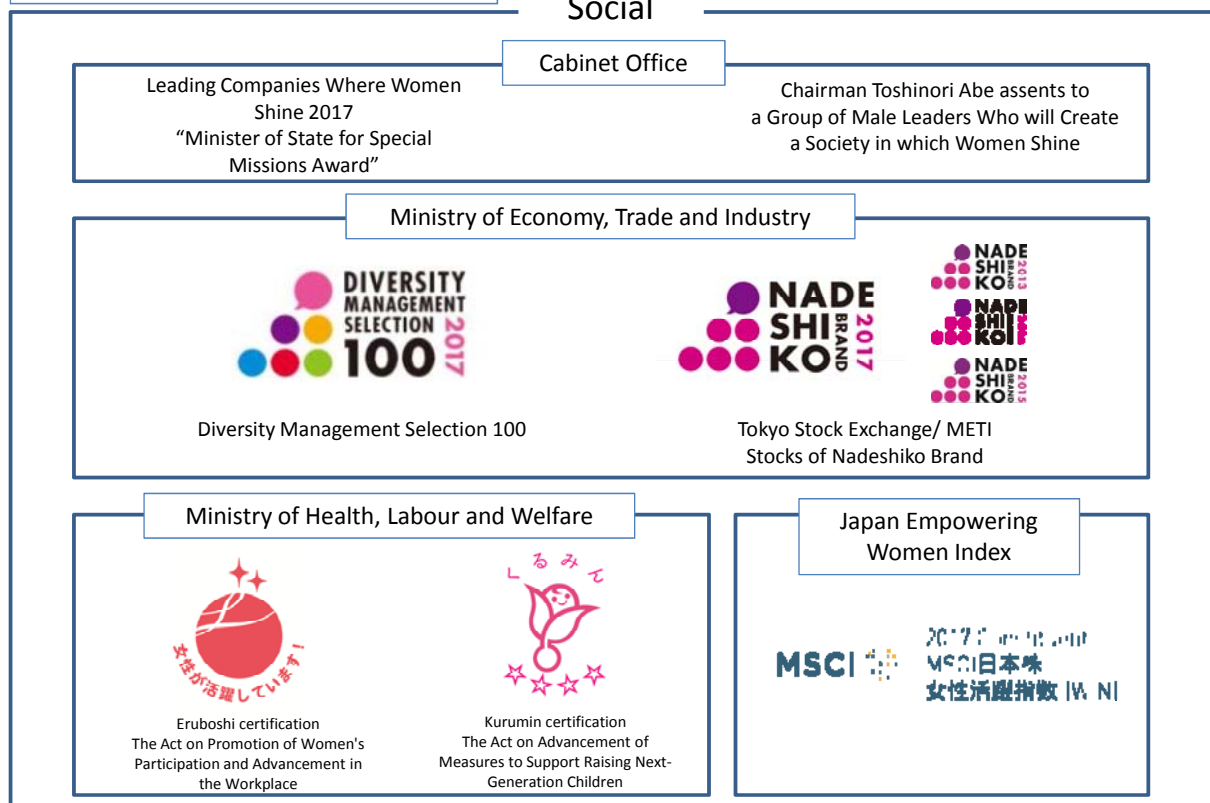
MSCI 2017 Constituent  
MSCI ジャパンESG  
セレクト・リーダーズ指数



Sheet 31

Accelerated the promotion of diversity.

## Social



Sheet 32

## Governance

- (1) Introduction of a mandatory retirement age of 70 for representative directors  
Introduce a mandatory retirement age for representative directors to encourage a generational change in management and develop human resources for management.
- (2) Appointment of women as outside officers  
Appoint women as outside director and outside corporate auditor to ensure diversity in the officer structure, with the aim of creating a system to reflect this in management policies.
- (3) Transparency and activation of the operation of meetings of the Board of Directors  
To facilitate constructive exchanges of opinions at Board meetings, make it a principle not to concurrently serve as the chairperson and the convener of Board meetings, to make decisions through transparent and active discussions.
- (4) Establishment of the Management Meeting  
Secure opportunities to share information among officers and express opinions from various perspectives on important investment projects and future management policies, etc.
- (5) Clarification of department under the control of directors  
Set up departments that include multiple head office departments and clarify the responsibility and authority of directors and executive officers who are in charge of the departments, thoroughly strengthen cooperation among the departments within departments and develop human resources.
- (6) Evaluation of the effectiveness of the Board of Directors  
Commence self-evaluations of the effectiveness of the Board of Directors in cooperation with attorneys, etc. to continuously strengthen, reform and improve the function of the Board of Directors.

Sheet 33

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.