

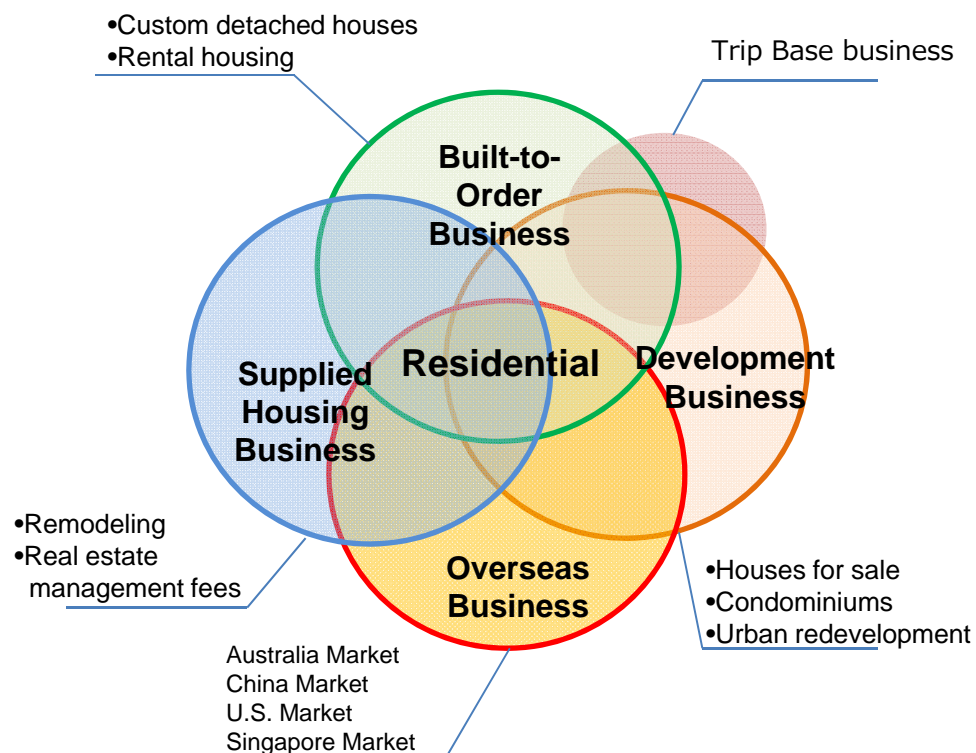
Sekisui House Group Company Presentation for FY2018 2Q



September 7, 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.

Progress of FY2018



[Earnings]

(¥ billion)

		FY2017 2Q			FY2018 2Q				
		Net sales	Operating income	OP Margin	Net sales YOY		Operating income YOY		OP Margin
Built-to-Order Business	Custom Detached Houses	185.5	24.3	13.1%	168.4	(9.3%)	18.5	(23.7%)	11.0%
	Rental Housing	210.2	27.7	13.2%	203.7	(3.1%)	23.5	(15.1%)	11.6%
	Subtotal	395.8	52.0	13.2%	372.1	(6.0%)	42.1	(19.1%)	11.3%
Supplied Housing Business	Remodeling	70.2	10.4	14.8%	71.3	1.6%	10.7	3.3%	15.1%
	Real Estate Management Fees	243.7	16.9	7.0%	256.2	5.1%	20.1	18.4%	7.8%
	Subtotal	313.9	27.3	8.7%	327.6	4.4%	30.8	12.7%	9.4%
Development Business	Houses for Sale	79.9	7.7	9.6%	73.9	(7.5%)	5.2	(32.0%)	7.1%
	Condominiums	28.8	3.3	11.7%	50.3	74.6%	6.3	88.8%	12.6%
	Urban Redevelopment	64.1	9.5	14.9%	59.1	(7.8%)	11.5	20.8%	19.5%
	Subtotal	172.8	20.6	11.9%	183.4	6.1%	23.1	12.1%	12.6%
Overseas Business		88.6	5.9	6.7%	82.0	(7.4%)	1.9	(66.6%)	2.4%
Other Businesses		38.1	0.7	1.8%	37.3	(2.1%)	(0.0)	-	-
Eliminations and corporate expenses		-	(17.7)	-	-	-	(19.3)	-	-
Consolidated		1,009.4	89.0	8.8%	1,002.6	(0.7%)	78.6	(11.6%)	7.8%

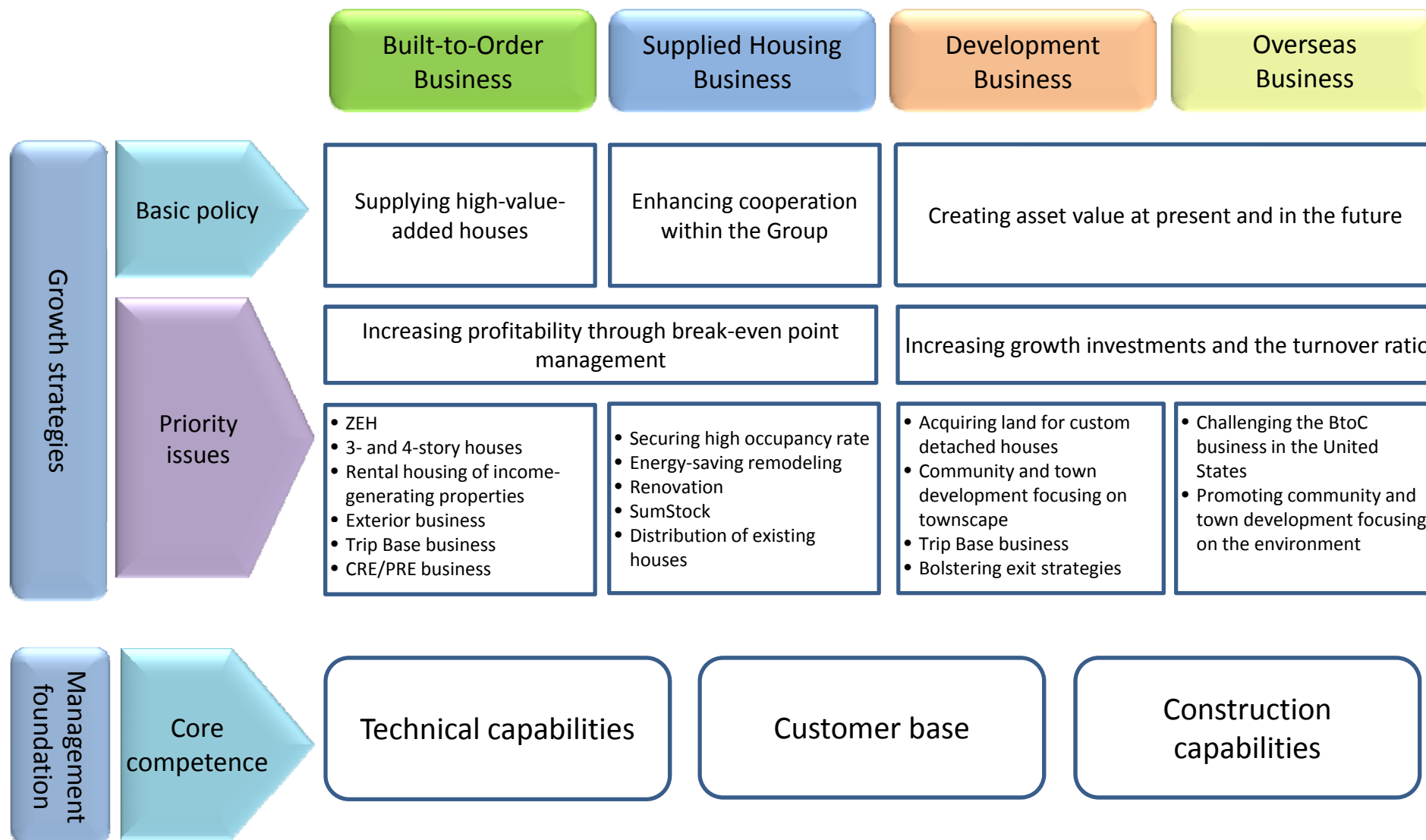
The Fourth Mid-Term Management Plan - Earnings Plan (by Segment)



(¥ billion)

		FY2017			FY2018 Initial Plan			FY2018 Revised Plan		
		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%	361.0	45.0	12.5%
	Rental Housing	442.8	60.8	13.7%	453.0	62.0	13.7%	422.0	53.0	12.6%
	Subtotal	814.0	108.9	13.4%	814.0	107.0	13.1%	783.0	98.0	12.5%
Supplied Housing Business	Remodeling	136.8	19.7	14.4%	144.0	21.5	14.9%	144.0	21.5	14.9%
	Real Estate Management Fees	489.8	33.1	6.8%	511.0	35.0	6.8%	514.0	36.0	7.0%
	Subtotal	626.7	52.8	8.4%	655.0	56.5	8.6%	658.0	57.5	8.7%
Development Business	Houses for Sale	155.4	13.4	8.7%	156.0	13.5	8.7%	147.0	11.0	7.5%
	Condominiums	77.4	9.2	11.9%	86.0	8.5	9.9%	89.0	9.5	10.7%
	Urban Redevelopment	103.7	16.9	16.4%	94.0	18.0	19.1%	123.0	22.0	17.9%
	Subtotal	336.7	39.6	11.8%	336.0	40.0	11.9%	359.0	42.5	11.8%
Overseas Business		306.7	29.7	9.7%	300.0	33.0	11.0%	292.0	26.0	8.9%
Other Businesses		75.1	1.2	1.6%	80.0	1.5	1.9%	74.0	0.8	1.1%
Eliminations and corporate expenses		-	(36.9)	-	-	(38.0)	-	-	(39.8)	-
Consolidated		2,159.3	195.5	9.1%	2,185.0	200.0	9.2%	2,166.0	185.0	8.5%

Business Strategies in the Fourth Mid-Term Management Plan



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

- Sales expansion of Green First Zero (ZEH)
- Appeal of our original exterior walls (internal manufacturing)
 - Dyne Concrete (steel-frame houses)
 - Bellburn (earthenware exterior wall, wood-frame houses)
- Differentiation with our original technologies
 - SHEQAS seismic response control system
 - Airkis air eco-friendly system
- Establishment of a customer attraction method using IT



Rental Housing

- Strengthening of area marketing
- Challenge to the inbound business
 - Temple lodging project
 - Development of hotels and private residences
- Expansion of the CRE/PRE business
 - Use of idle land of business corporations
 - Expansion of regional revitalization and redevelopment projects
- Stronger sales of income-generating property Sha Maison

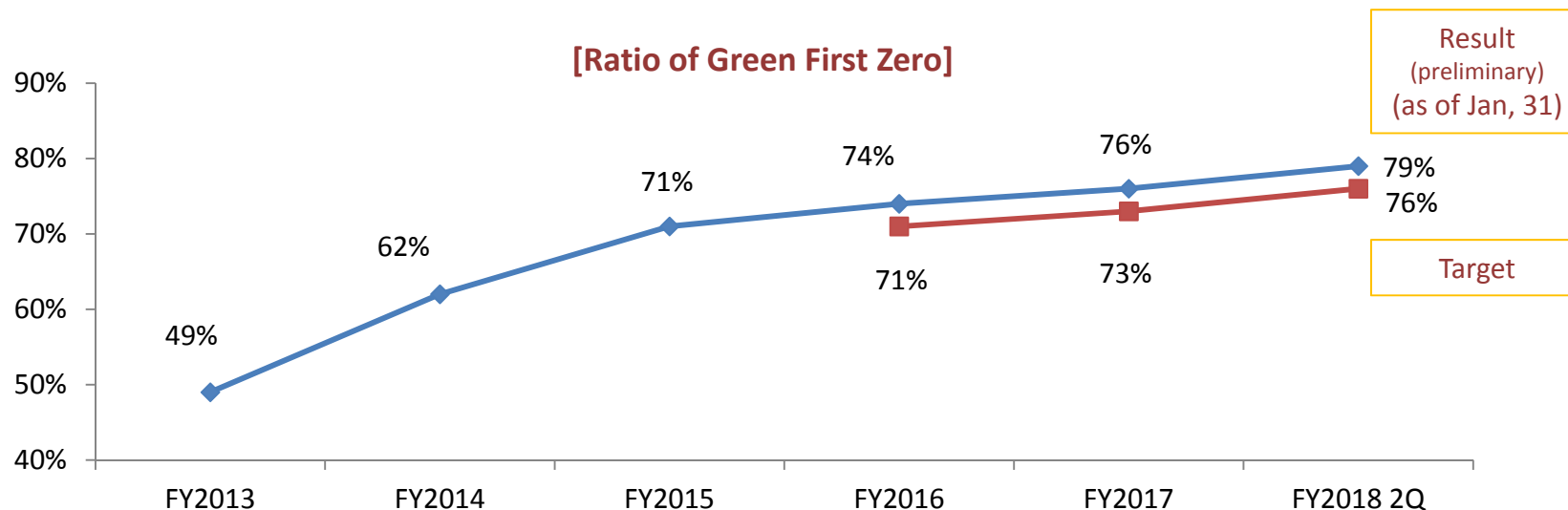


Exterior

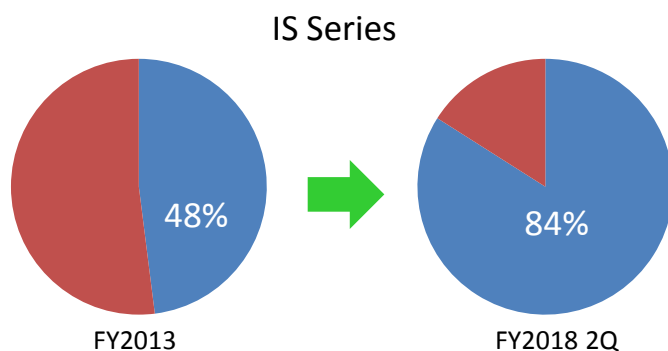
- Promotion of the “Gohon no ki” landscaping plan
- Entry into the exterior market
- Active engagement in green redevelopment projects
- Appeal of an environmentally advanced company
Declared and signed in on the Global Alliance for Buildings and Construction at COP21 as a private-sector company in Japan (Paris Agreement).



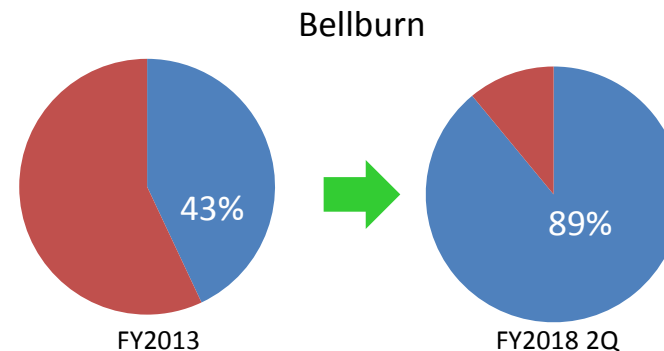
ZEH, which is a key sales initiative, sales expansion of the high-end product group, and the presentation of original technologies were all clear successes.



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

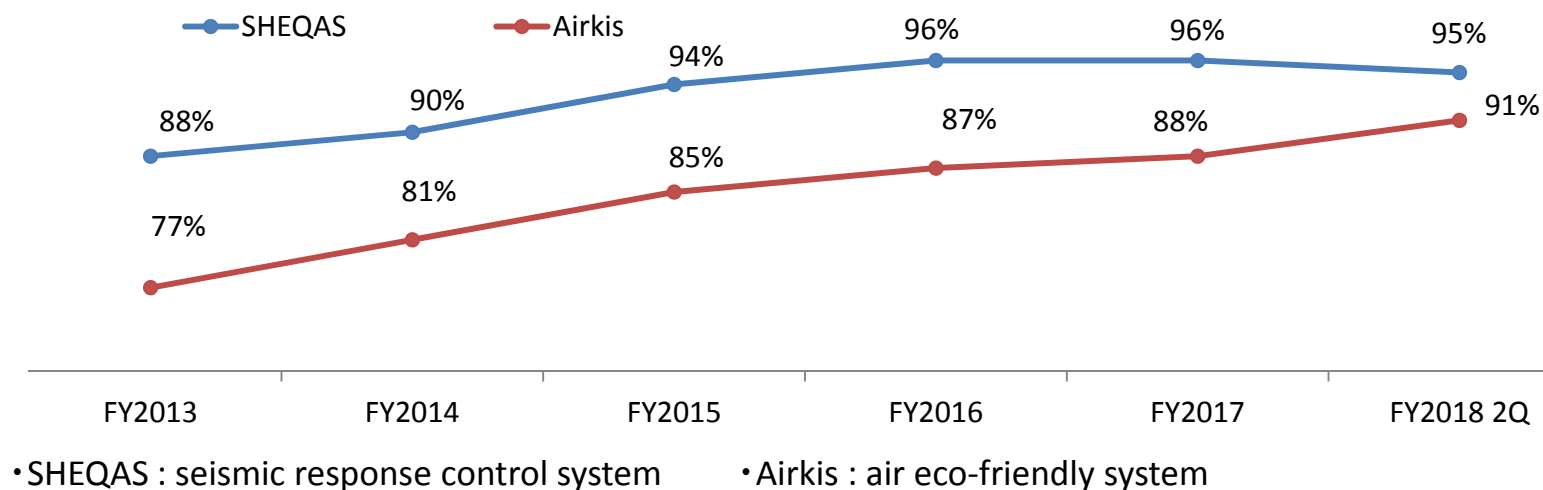


[IS Series]
High-end model of steel-frame houses

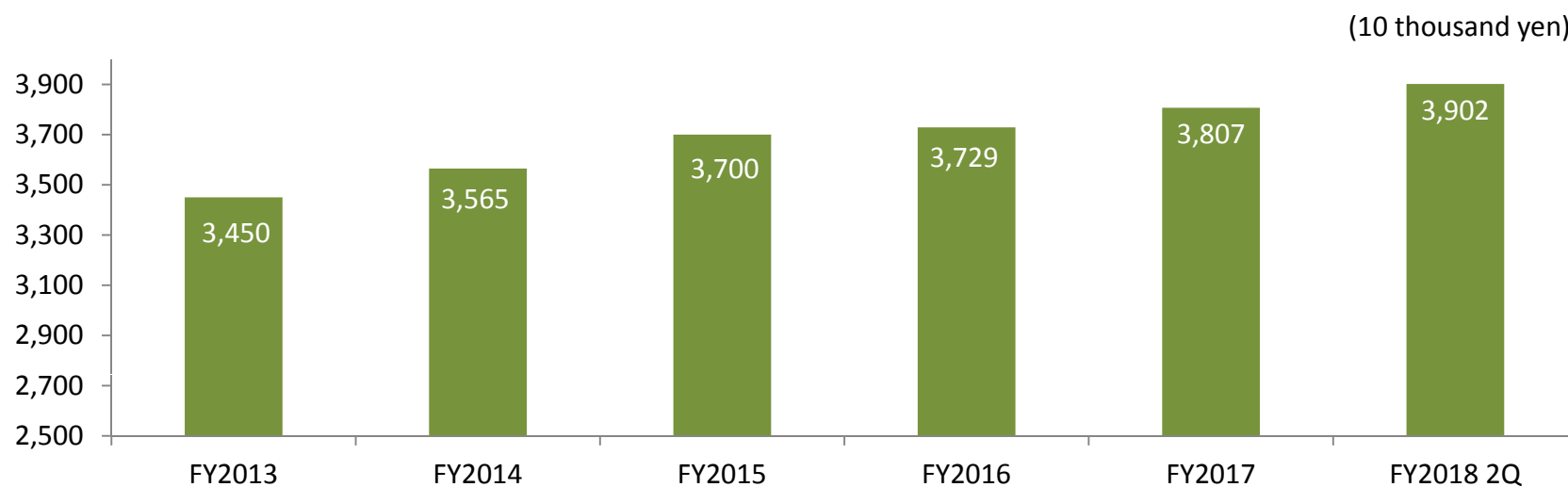


[Bellburn]
Earthenware exterior wall of wood-frame houses

[Changes in the adoption rate of SHEQAS and Airkis]

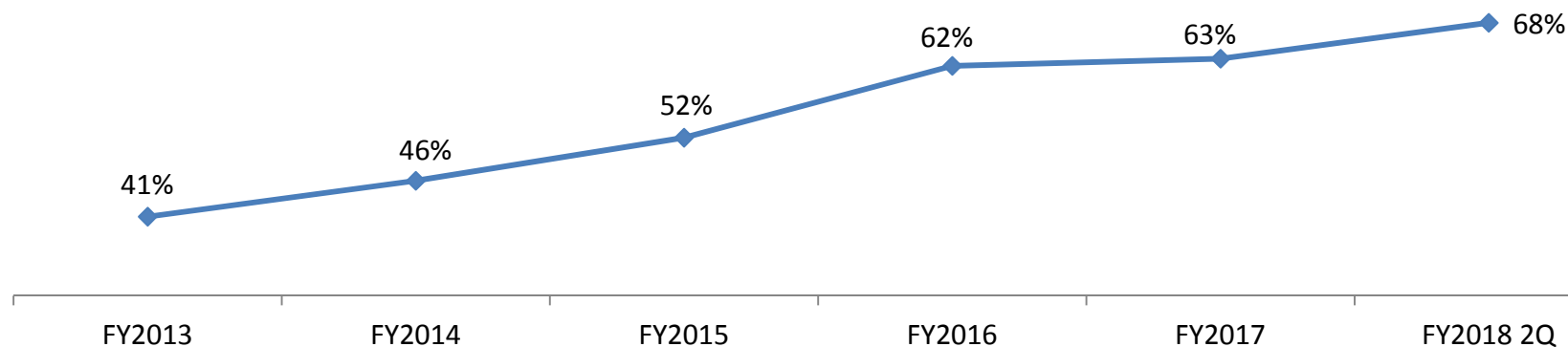


[Trends in unit price per building]

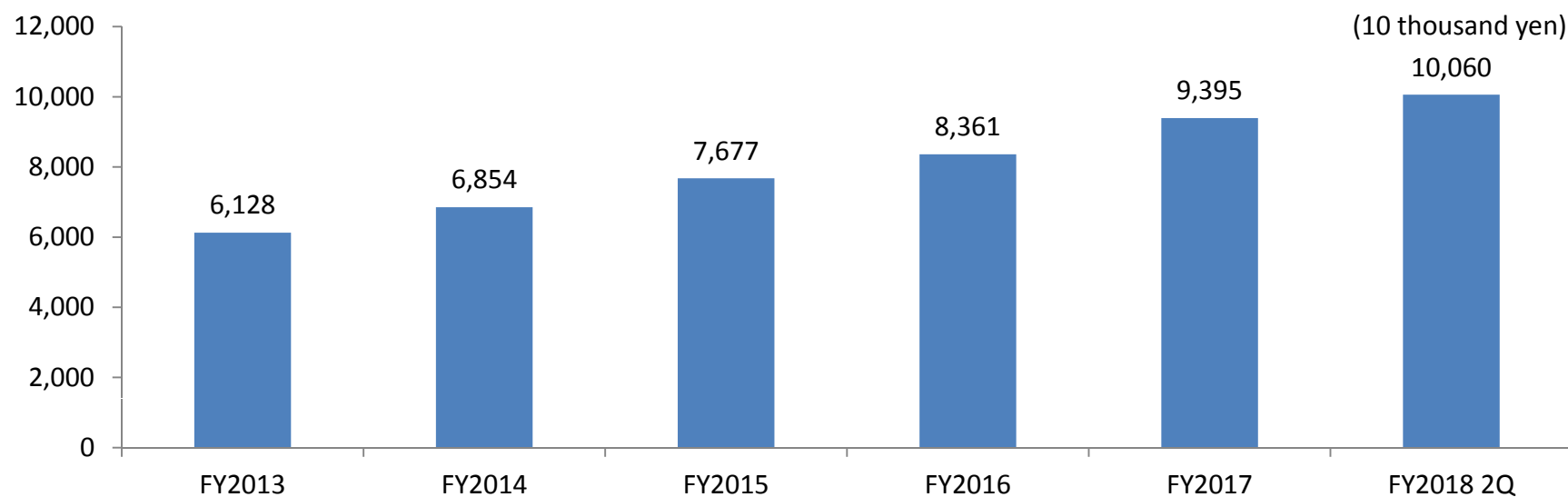


The rate of 3- and 4-story houses rose due to area marketing centered on urban areas, and strengthened exteriors.

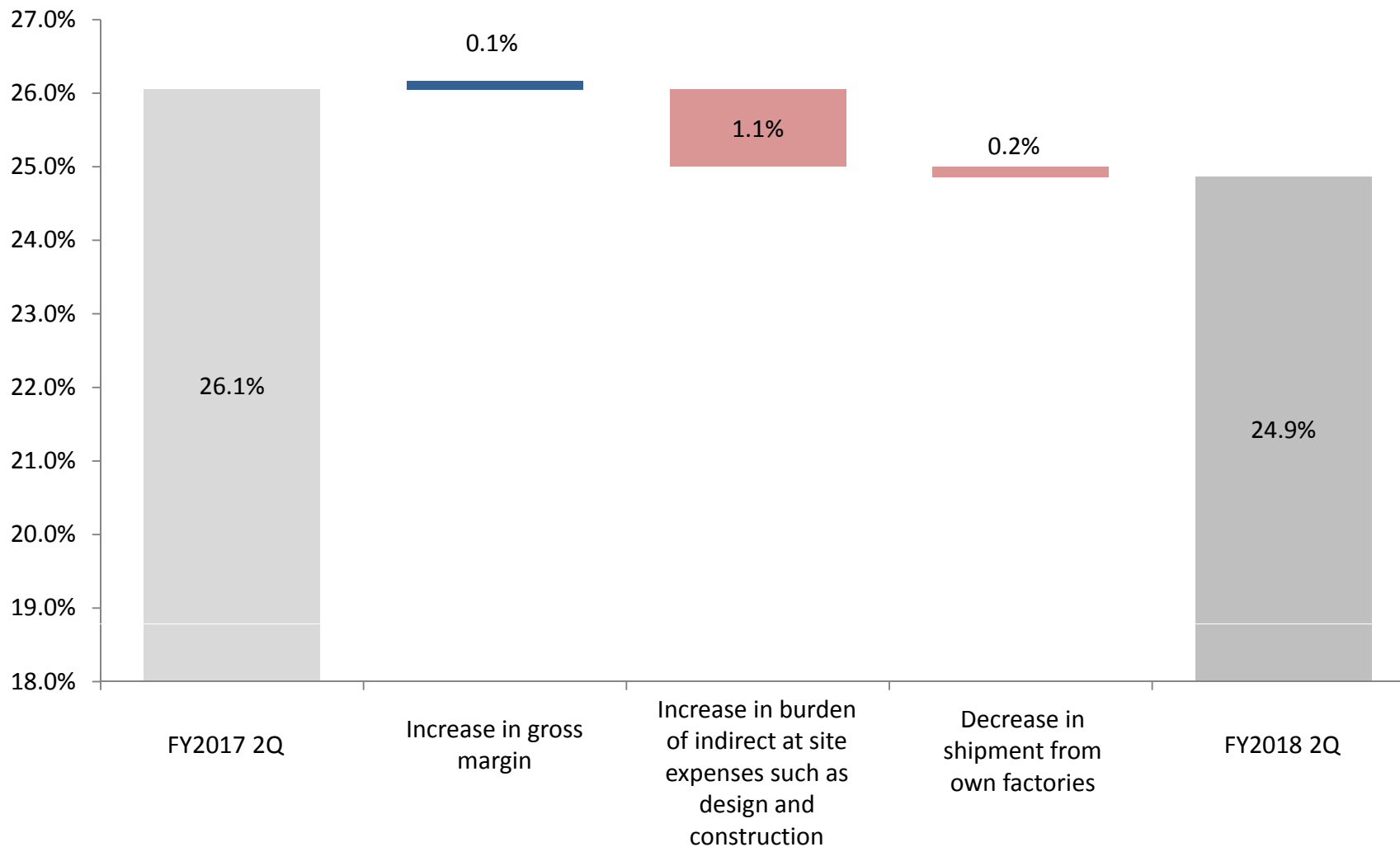
[Rate of three- or four-story houses (in value)]



[Trends in unit price per house for Sha-Maison rental housing]



Custom Detached Houses Business



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)

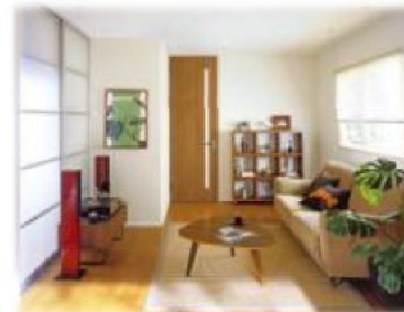
Remodeling

- 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

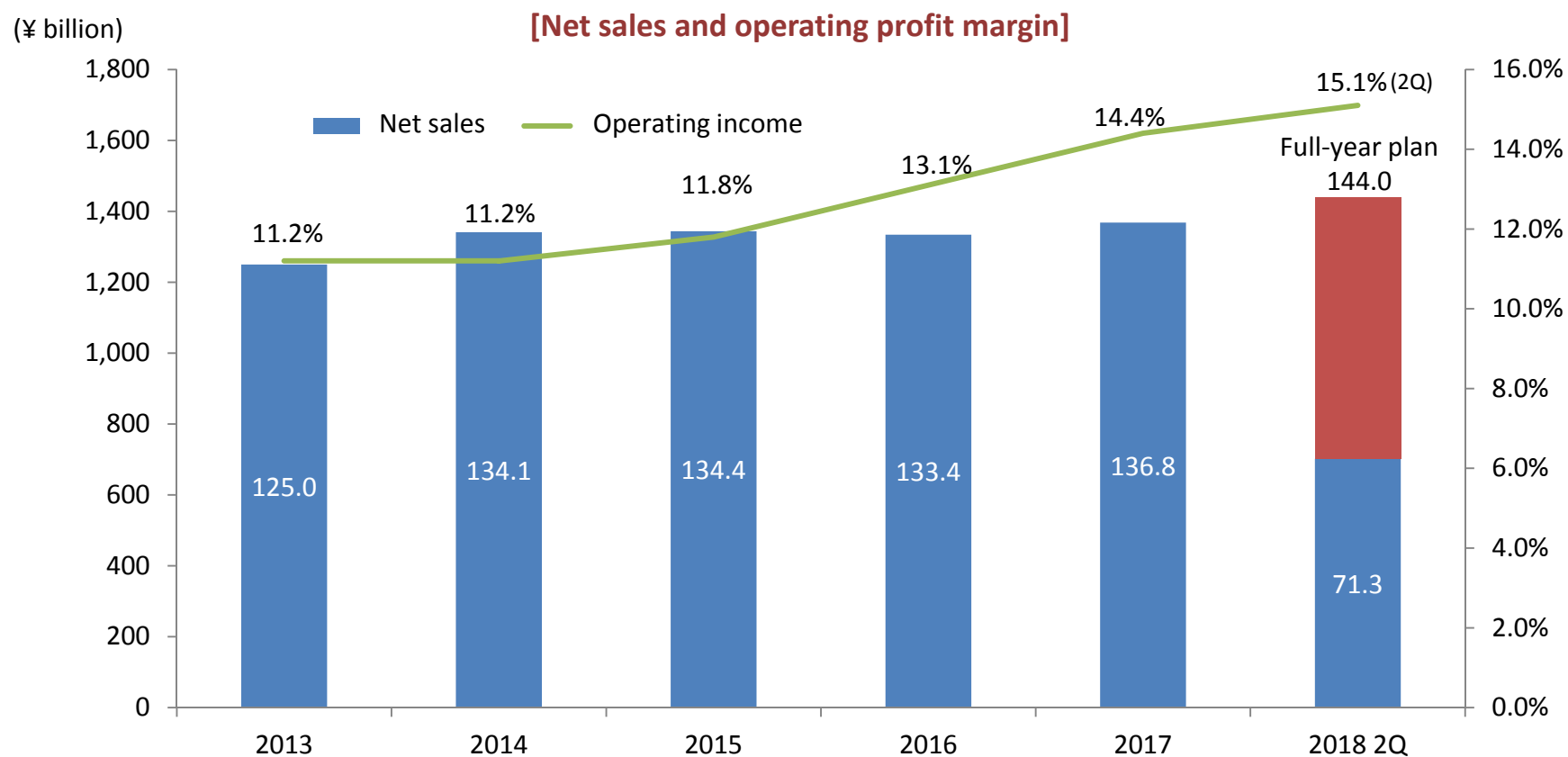
- Securing a high occupancy rate.
- Increase in the asset value of owners by improving the quality of management operations
- Strengthening the earnings power by the price leader strategy.
- Strengthening SumStock and the real estate brokerage business.



Supplied Housing Business: Status of Remodeling Business



With proposals for large-scale renovation, etc. a success, we were able to increase sales amid a contraction of the remodeling market.

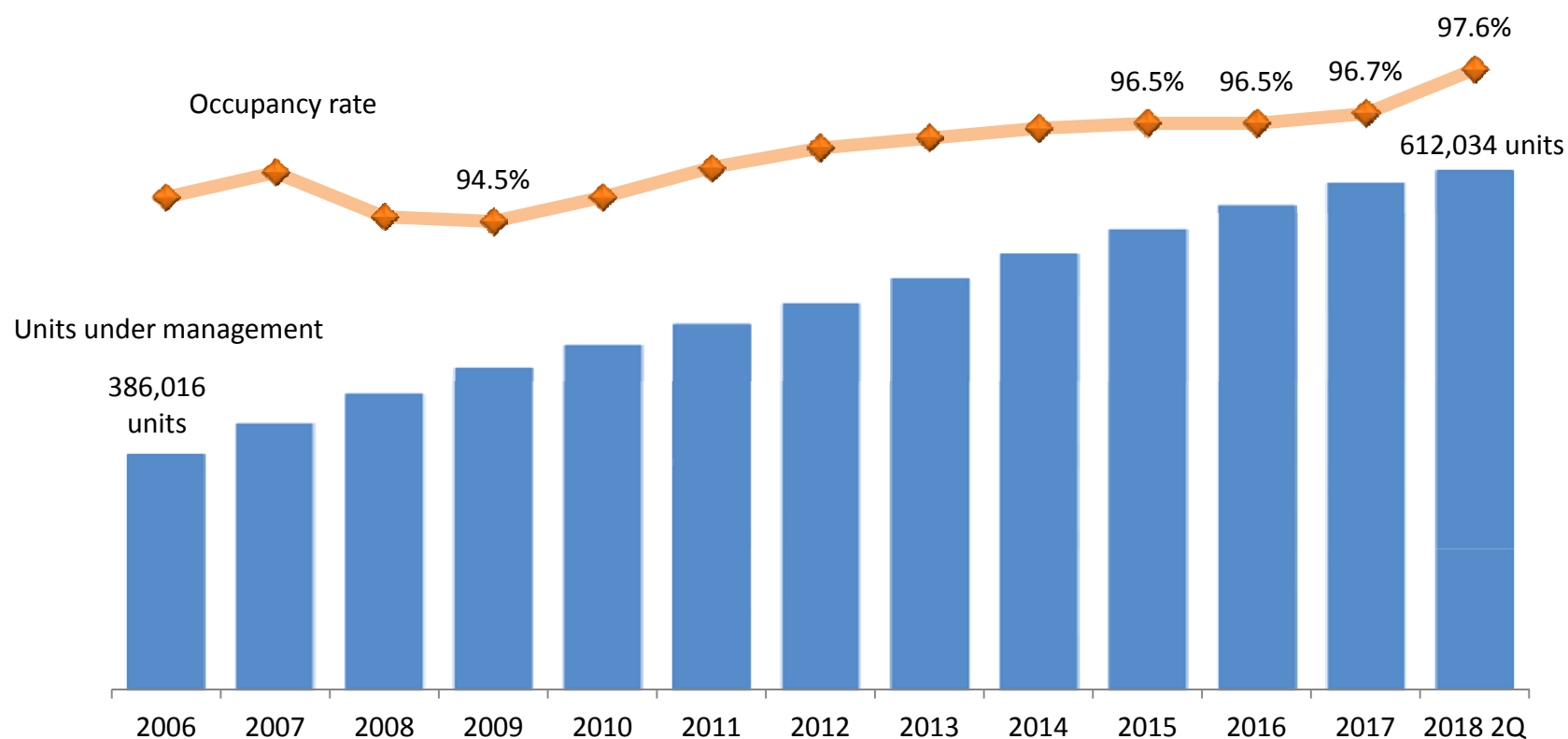


Orders for remodeling received have been steadily increasing in all areas such as detached and rental houses.

Real estate management fees business contributes the stable income increases.

Achieve the stable increases in revenues by **“increasing units under management,”**
“maintaining high occupancy rate,” “increasing advertising rents,” and “shortening application periods.”

<Number of units under management / Occupancy rate>



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 REIT 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



Honmachi Garden City

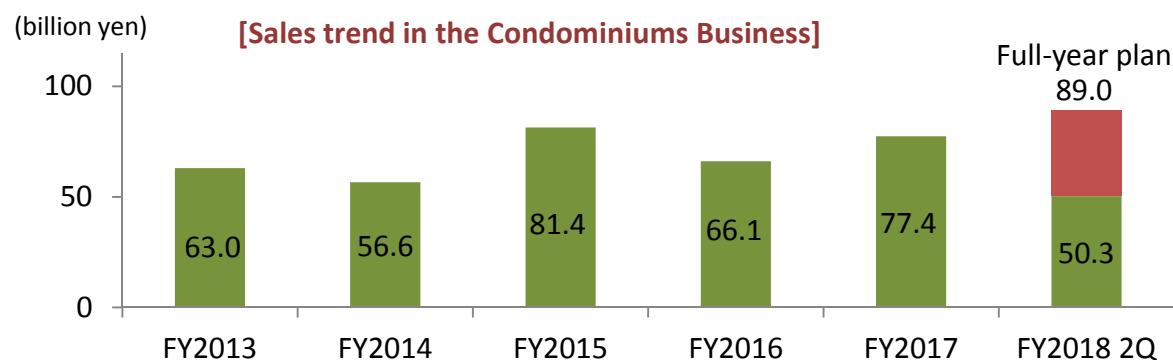


Extended-stay high-end
service apartment

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

[Business trends in Condominiums Business]

Sales of “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.



Grande Maison Shinagawa Seaside no Mori

[Business trends in Urban Redevelopment Business]

Sekisui House Reit, Inc. and Sekisui House Residential Investment Corporation merged in May. Sekisui House sold six properties, including “Prime Maison Gotenyama West” and “Prime Maison Daikanyama,” to the post-merger Sekisui House Reit, Inc. for ¥25.3 billion. Sold other properties according to the plan.

Property sales for FY2018 2Q:
Sales: ¥35.4 billion Profit: ¥6.7 billion



Prime Maison Gotennyama West



Grande Maison
Uemachidai the Tower

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 business, we will promote sales of housing land with higher value by focusing on the market with a good business environment. In the multifamily business, we will secure solid earnings by developing highly competitive projects.

As a new business domain, we will enter the homebuilding 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

Overseas Business: Key Initiatives - Major properties sold in FY2018 2Q

<Australia>

(billion yen)

Condominiums	1.8
Detached houses for sale, built-to-order	2.9

<U.S.A.>

(billion yen)

Community	17.8
Multifamily	1.9
Homebuilding	45.5

<China>

(billion yen)

Condominiums	8.8
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Overseas Business: Earnings Plan



(¥ billion)

Country	FY2017				FY2018 2Q				FY2018 Plan			
	Net sales	Operating income	Ordinary income	Orders	Net sales	Operating income	Ordinary income	Orders	Net sales	Operating income	Ordinary income	Orders
Australia	61.5	9.9	10.0	45.2	4.7	(0.8)	(0.7)	13.1	45.0	(1.6)	(1.5)	40.0
China	37.9	2.4	2.5	36.3	10.9	(0.7)	(0.5)	16.5	37.0	2.2	2.6	35.0
U.S.A.	207.1	18.3	16.4	234.8	66.3	4.0	3.0	92.7	210.0	26.5	24.3	215.0
Singapore	-	-	0.7	-	-	-	1.9	-	-	-	3.6	-
Other administrative expenses	-	(1.0)	(1.0)	-	-	(0.5)	(0.5)	-	-	(1.1)	(1.1)	-
Total	306.7	29.7	28.7	316.4	82.0	1.9	3.2	122.5	292.0	26.0	27.9	290.0

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

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