

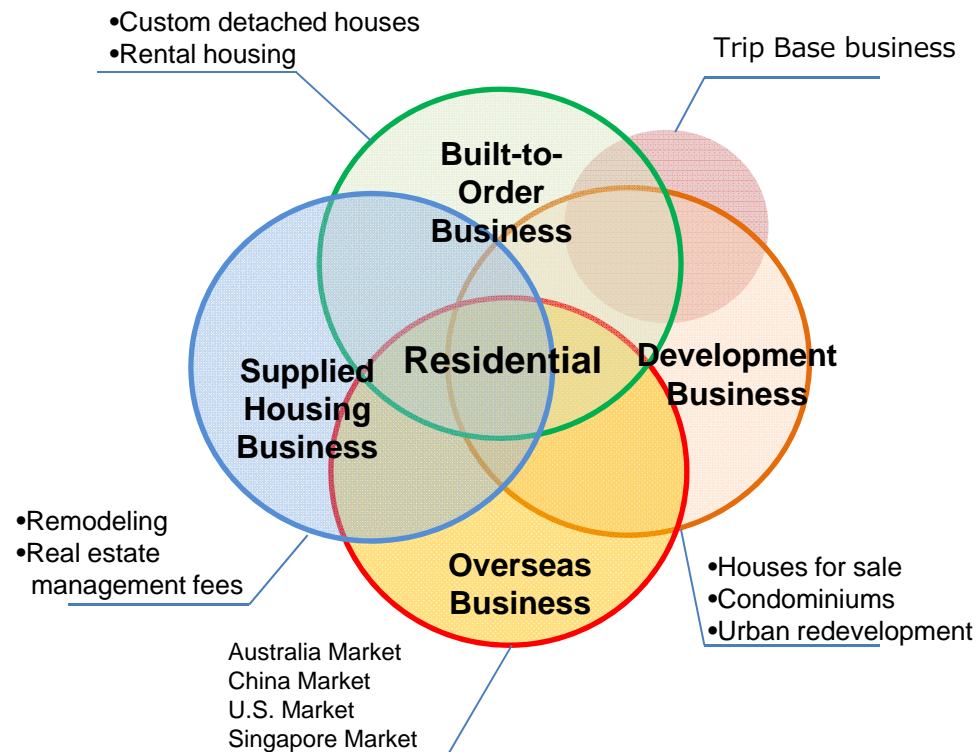
# Sekisui House Group Company Presentation for FY2019 2Q



September 6, 2019

## Core 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.

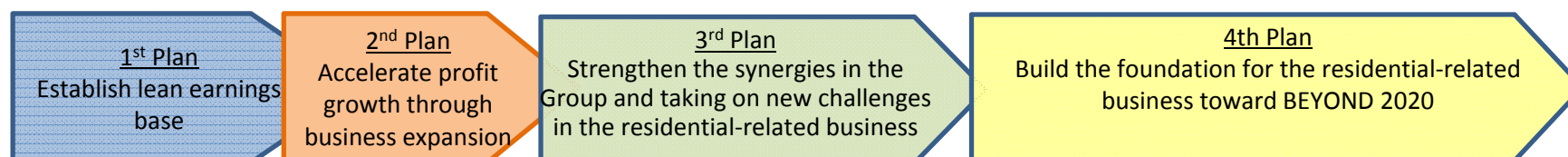
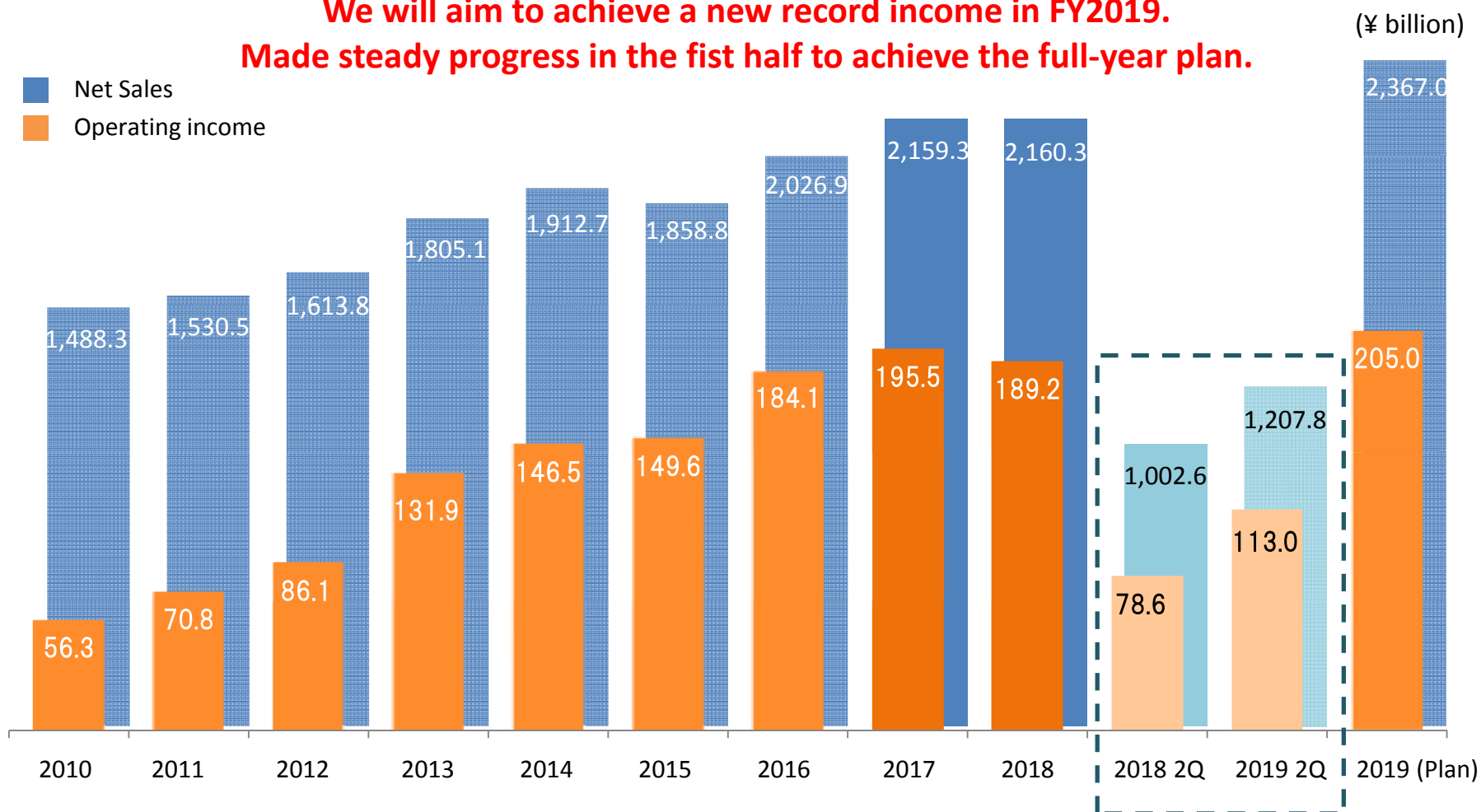
### Overseas Business

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

## Progress in Fourth Mid-Term Management Plan



**We will aim to achieve a new record income in FY2019.**  
**Made steady progress in the first half to achieve the full-year plan.**



# Earnings Results Compared to Plan (by Segment)



(¥ billion)

		F2018 2Q			FY2019 2Q						
		Net sales	Operating income	OP Margin	Net sales YOY		Progress to Plan (%)	Operating income YOY		Progress to Plan (%)	OP Margin
Built-to-Order Business	Custom Detached Houses	168.4	18.5	11.0%	201.7	19.8%	51.7%	24.5	32.2%	51.7%	12.2%
	Rental Housing	203.7	23.5	11.6%	196.3	(3.6%)	44.8%	22.2	(5.4%)	41.7%	11.4%
	Subtotal	372.1	42.1	11.3%	398.1	7.0%	48.1%	46.8	11.2%	46.4%	11.8%
Supplied Housing Business	Remodeling	71.3	10.7	15.1%	77.5	8.6%	51.0%	12.2	13.6%	53.1%	15.8%
	Real Estate Management Fees	256.2	20.1	7.8%	266.1	3.9%	49.4%	21.0	4.8%	47.4%	7.9%
	Subtotal	327.6	30.8	9.4%	343.6	4.9%	49.7%	33.2	7.9%	49.3%	9.7%
Development Business	Houses for Sale	73.9	5.2	7.1%	83.6	13.1%	51.6%	7.6	46.6%	54.9%	9.2%
	Condominiums	50.3	6.3	12.6%	35.4	(29.6%)	39.4%	4.2	(33.8%)	46.7%	11.9%
	Urban Redevelopment	59.1	11.5	19.5%	99.0	67.6%	78.6%	11.6	0.8%	83.0%	11.7%
	Subtotal	183.4	23.1	12.6%	218.1	19.0%	57.7%	23.5	1.7%	63.5%	10.8%
Overseas Business		82.0	1.9	2.4%	208.9	154.6%	63.0%	30.1	-	86.1%	14.4%
Other Businesses		37.3	(0.0)	(0.2%)	38.9	4.2%	28.1%	0.2	-	5.3%	0.5%
Eliminations and corporate expenses		-	(19.3)	-	-	-	-	(20.9)	-	-	-
Consolidated		1,002.6	78.6	7.8%	1,207.8	20.5%	51.0%	113.0	43.7%	55.1%	9.4%

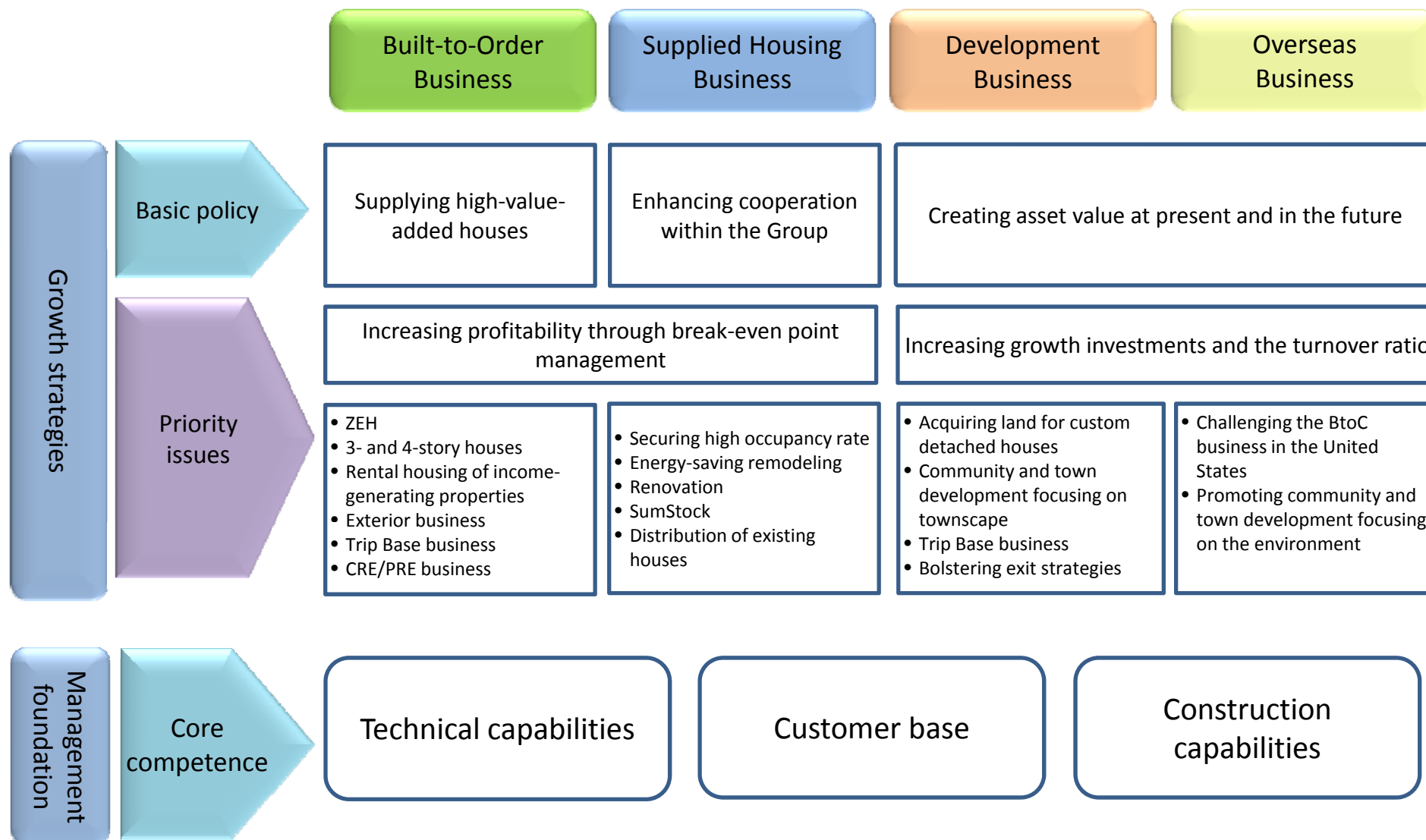
# Earnings Plan (by Segment)



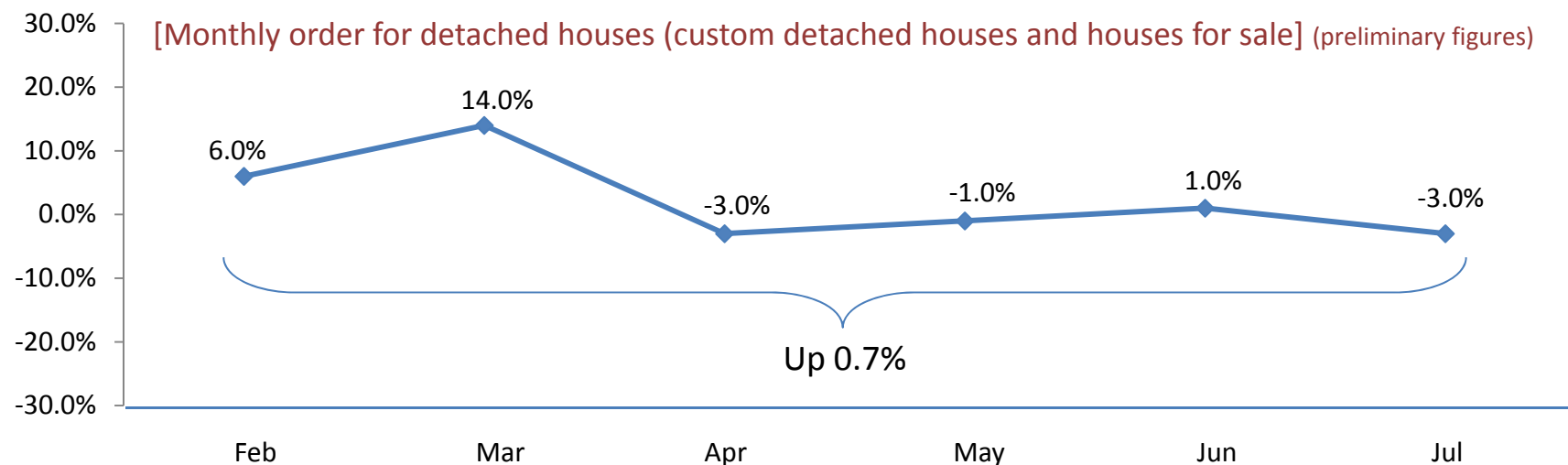
(¥ billion)

		FY2017			FY2018			FY2019 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%	357.9	42.2	11.8%	390.0	47.5	12.2%
	Rental Housing	442.8	60.8	13.7%	416.0	50.3	12.1%	438.0	53.5	12.2%
	Subtotal	814.0	108.9	13.4%	774.0	92.6	12.0%	828.0	101.0	12.2%
Supplied Housing Business	Remodeling	136.8	19.7	14.4%	141.4	21.1	14.9%	152.0	23.0	15.1%
	Real Estate Management Fees	489.8	33.1	6.8%	514.0	39.4	7.7%	539.0	44.5	8.3%
	Subtotal	626.7	52.8	8.4%	655.4	60.5	9.2%	691.0	67.5	9.8%
Development Business	Houses for Sale	155.4	13.4	8.7%	148.8	11.0	7.4%	162.0	14.0	8.6%
	Condominiums	77.4	9.2	11.9%	89.5	6.4	7.2%	90.0	9.0	10.0%
	Urban Redevelopment	103.7	16.9	16.4%	173.3	40.4	23.3%	126.0	14.0	11.1%
	Subtotal	336.7	39.6	11.8%	411.8	57.9	14.1%	378.0	37.0	9.8%
Overseas Business		306.7	29.7	9.7%	245.9	16.3	6.6%	331.6	35.0	10.6%
Other Businesses		75.1	1.2	1.6%	73.0	(0.0)	(0.1%)	138.4	4.0	2.9%
Eliminations and corporate expenses		-	(36.9)	-	-	(38.1)	-	-	(39.5)	-
Consolidated		2,159.3	195.5	9.1%	2,160.3	189.2	8.8%	2,367.0	205.0	8.7%

# Business Strategies in the Fourth Mid-Term Management Plan

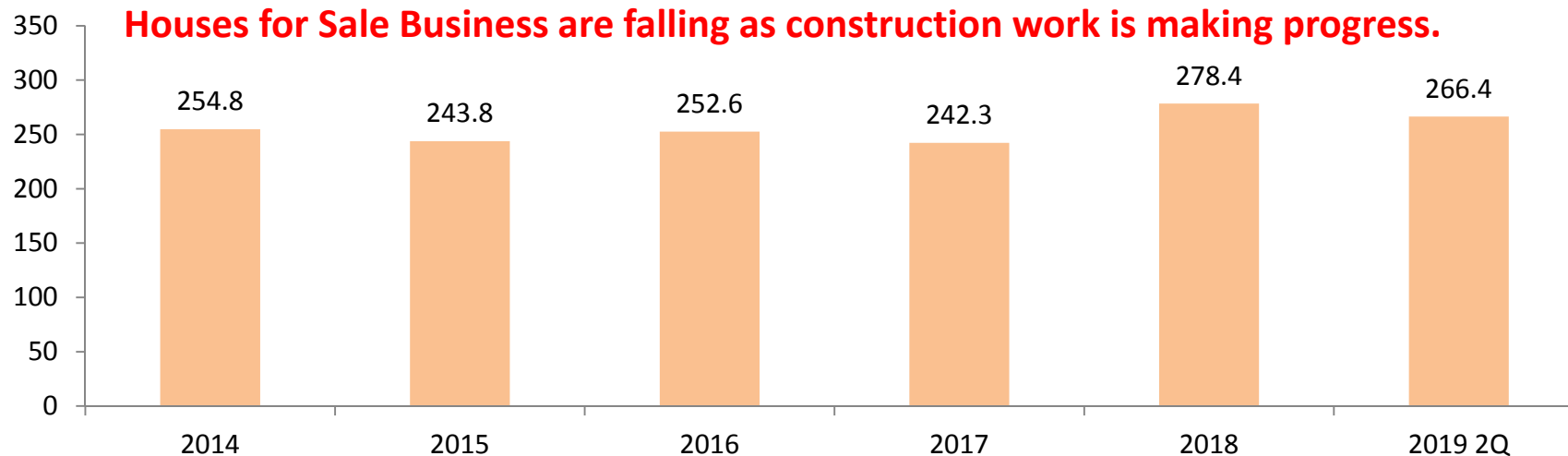


**Orders remained firm from April thanks to various government measures.  
(The effect of a consumption tax increase was minor and insignificant.)**



(Billion yen)

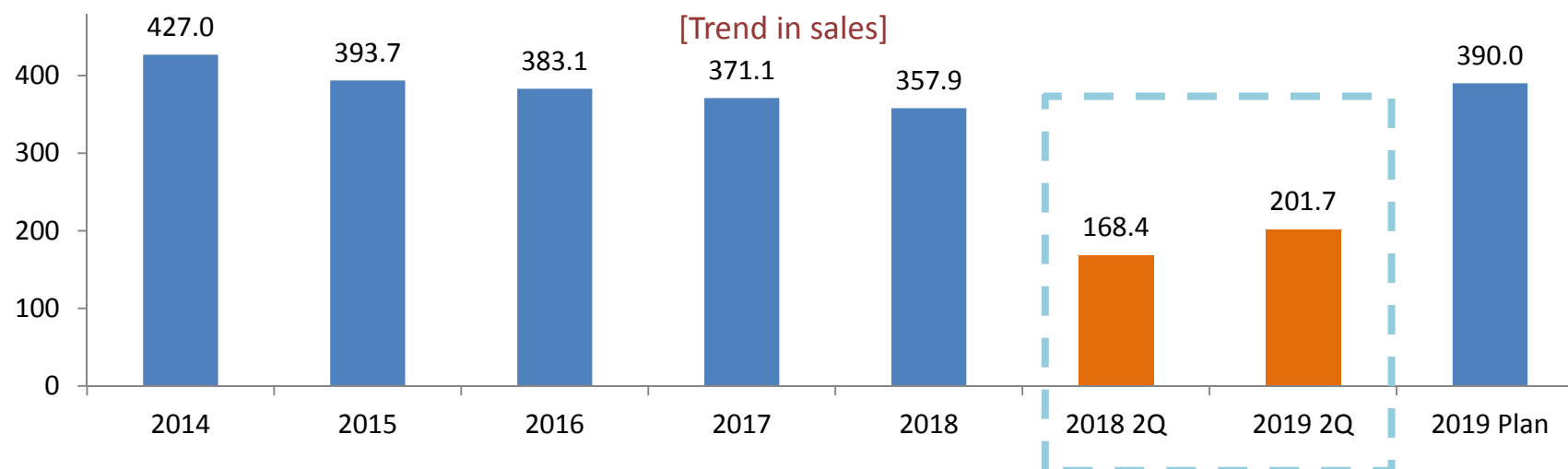
**Accumulated orders in the Custom Detached Houses Business and  
Houses for Sale Business are falling as construction work is making progress.**





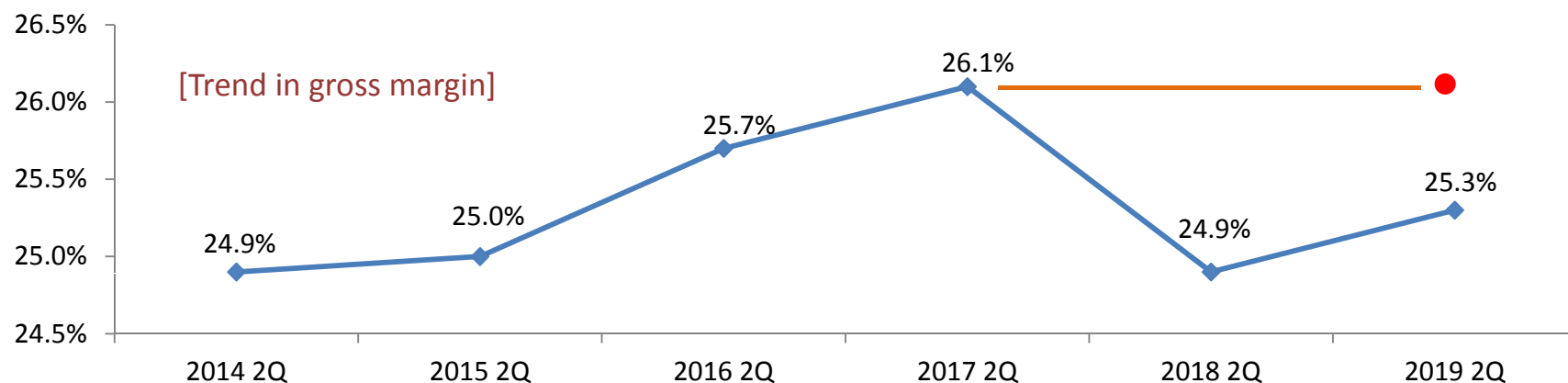
(Billion yen)

**Net sales also increased following an increase in orders received.**

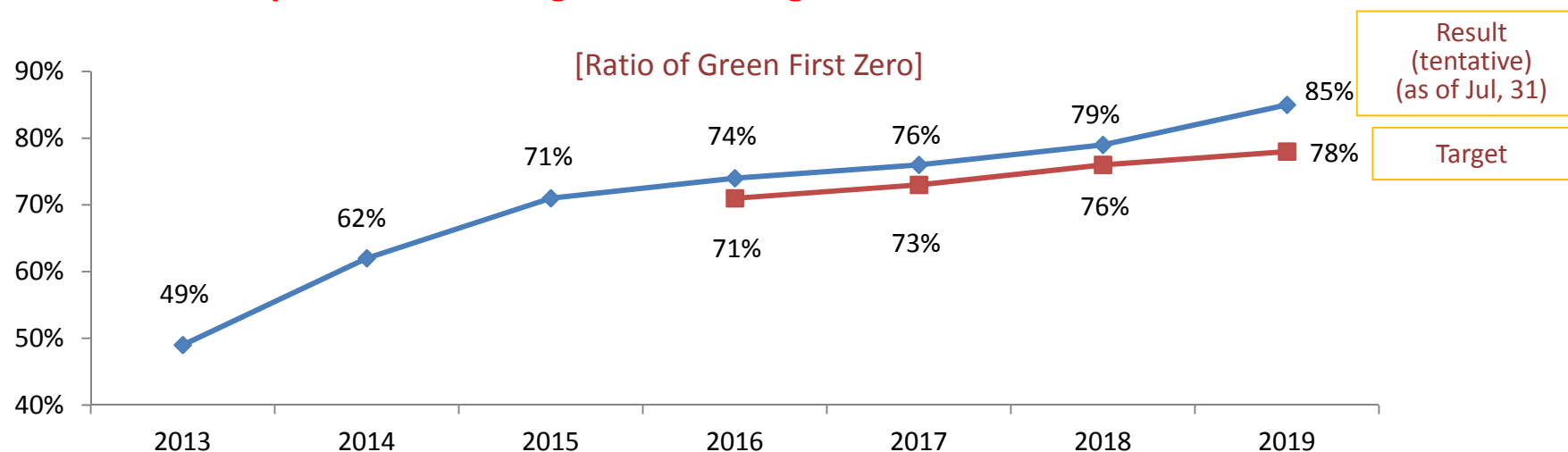


**Gross margin also improved.**

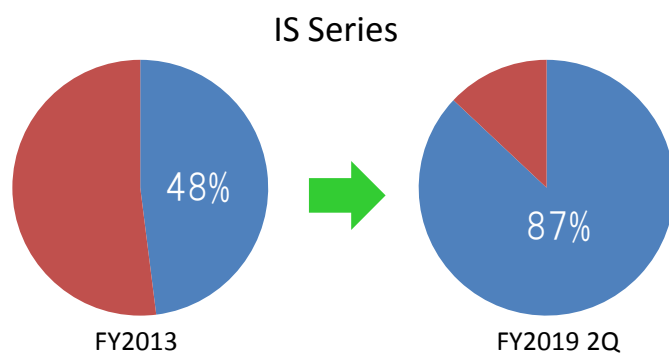
Gross margin remained in line with the FY2017 2Q level due to higher sales volume and the effects of cost reductions, despite the impact of the change made to the discount rate for the retirement benefit obligations.



**Sales expansion of ZEH and high-end product group, as key sales initiatives, and the promotion of original technologies were all clear successes.**

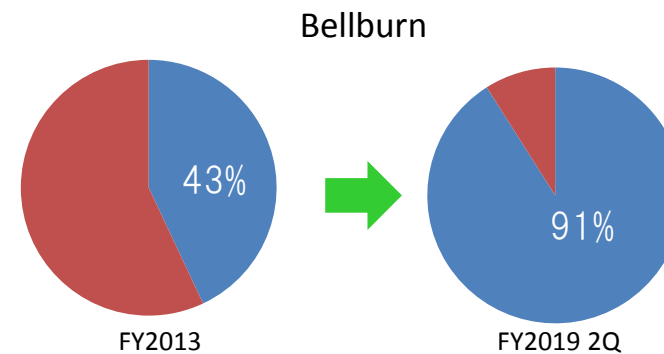


[Trends in weighting of high value-added products: IS Series (steel-frame) and Bellburn (wood-frame)]



[ IS Series ]

High-end model of steel-frame houses



[ Bellburn ]

Earthenware exterior wall of wood-frame houses

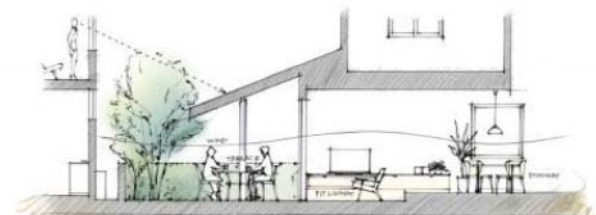
**Orders were driven by not only technical aspect underpinned by advanced technologies but also implementing intangible factor of the marketing of “Houses in which the more you live, the happier you will be.”**

### **Family Suite - Proposal of housing concept**

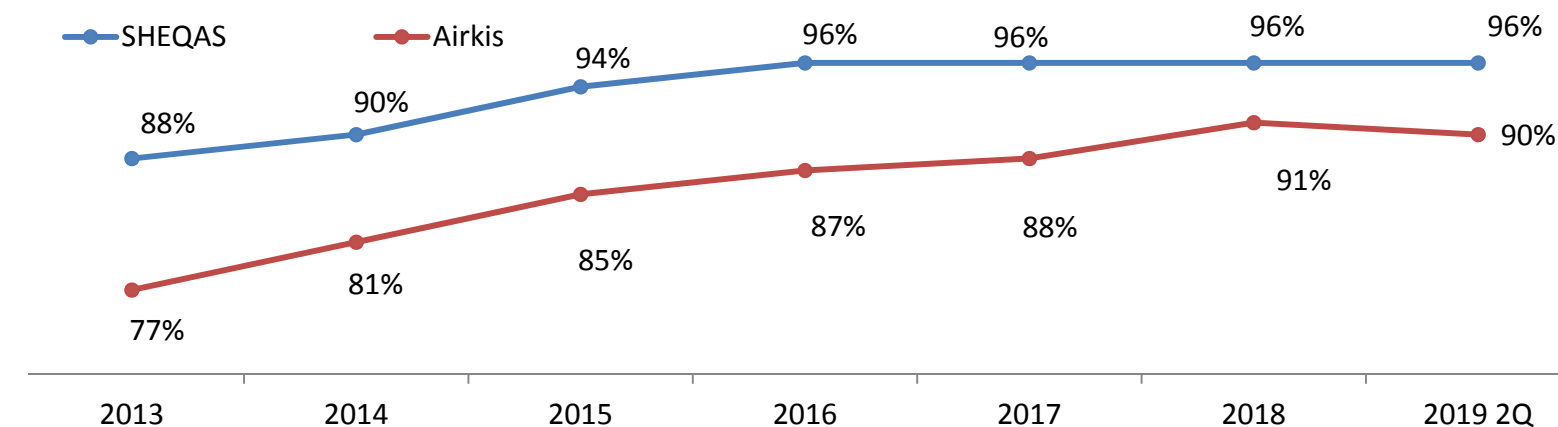
- Gently integrating inside and outside by connecting a spacious living room with a large space under eaves
- Breaking away from the concept of LDK (living, dining, kitchen) and enabling family members to keep a comfortable distance from each other
- The concept can be applied to both steel- and wood-framed custom detached houses.



**Family Suite has been well received since its launch in October last year.  
The most recent adoption rate has succeeded 50%.**



[Changes in the adoption rate of SHEQAS and Airkis]



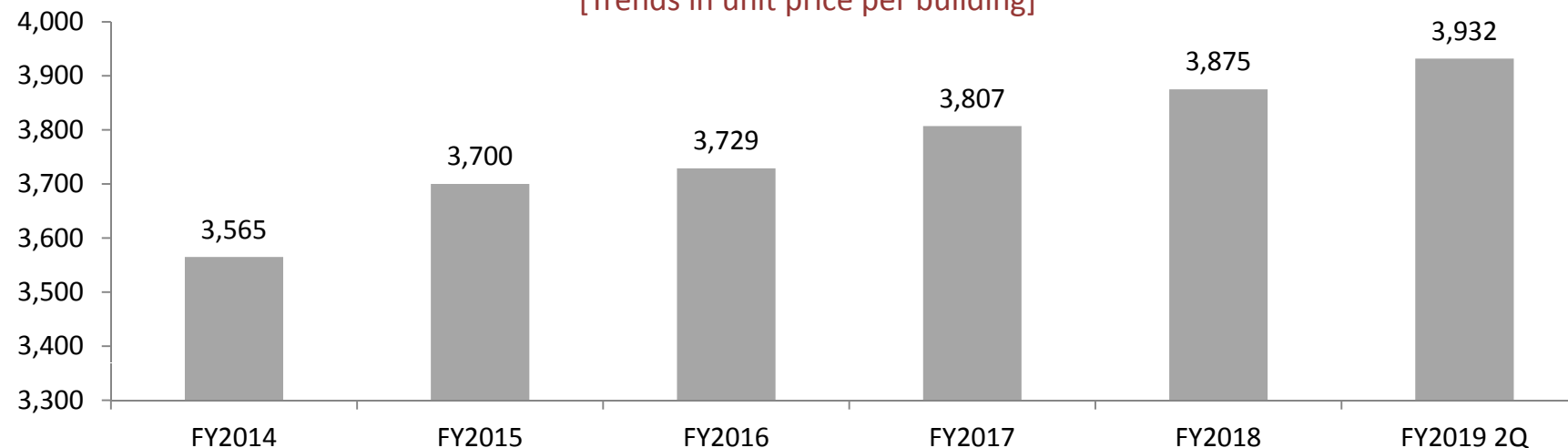
• SHEQAS : seismic response control system

• Airkis : air eco-friendly system

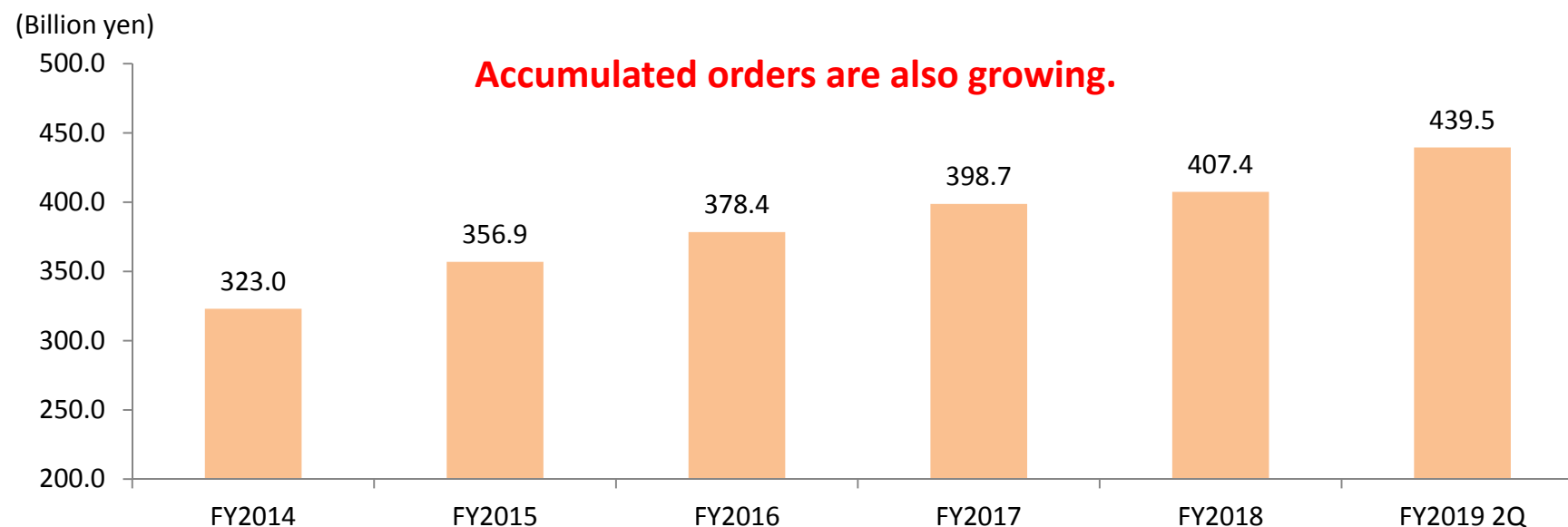
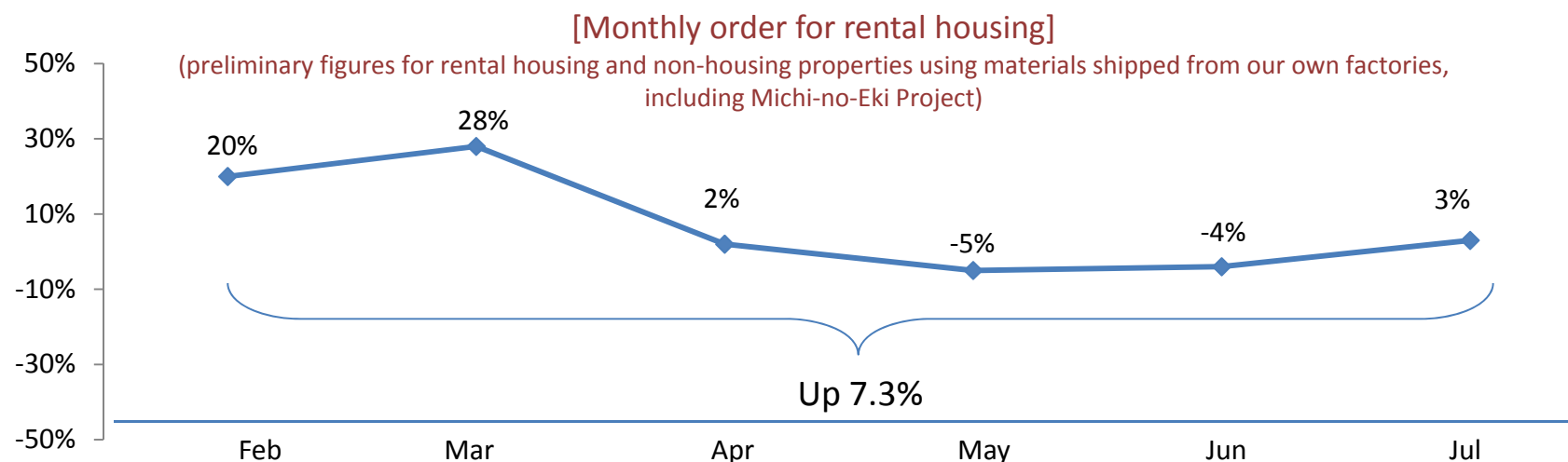
**The unit price per building is rising as a result of proposing high value-added houses.**

(10 thousand yen)

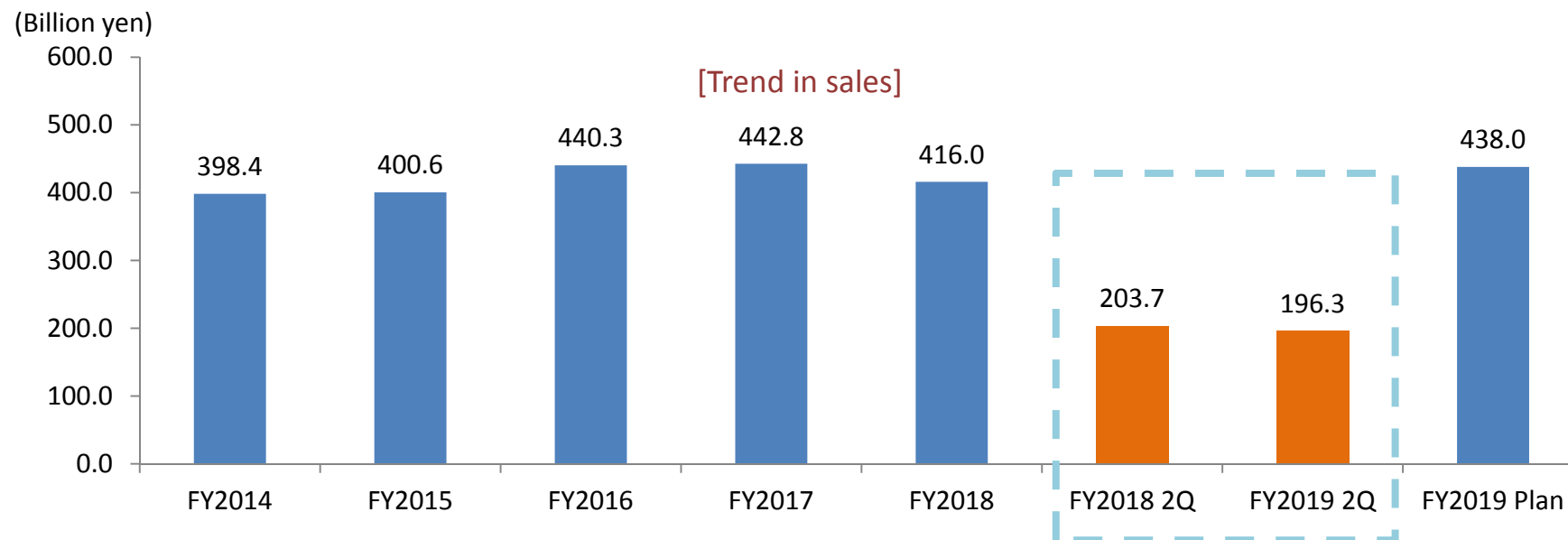
[Trends in unit price per building]



**Area marketing focusing on urban areas has fared well, and orders remained firm from April  
(The effect of a consumption tax increase was minor and insignificant.)**

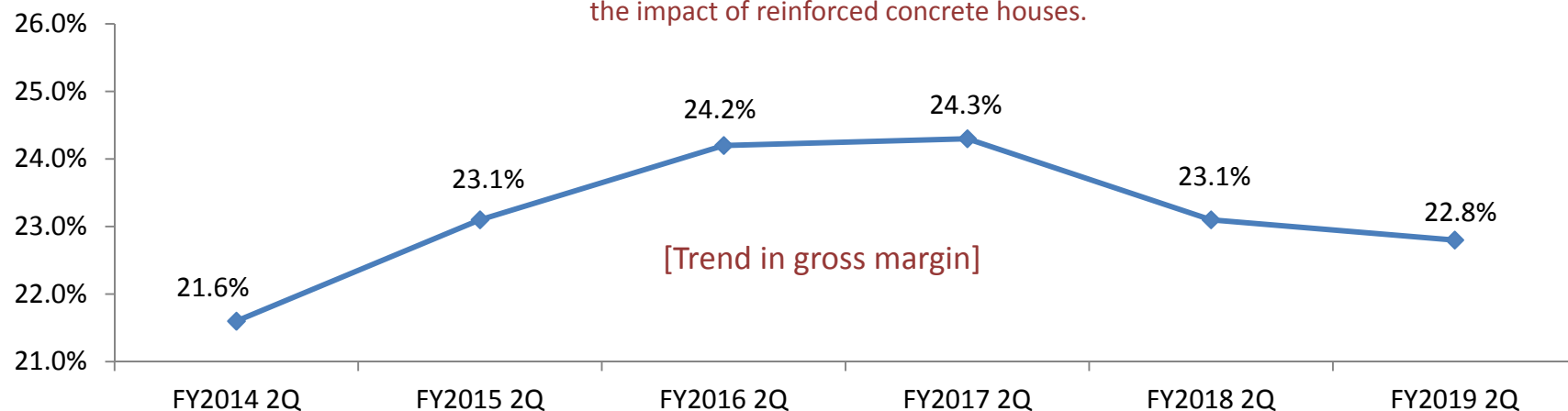


**As properties are becoming larger, the period up to the posting of sales is extended.**



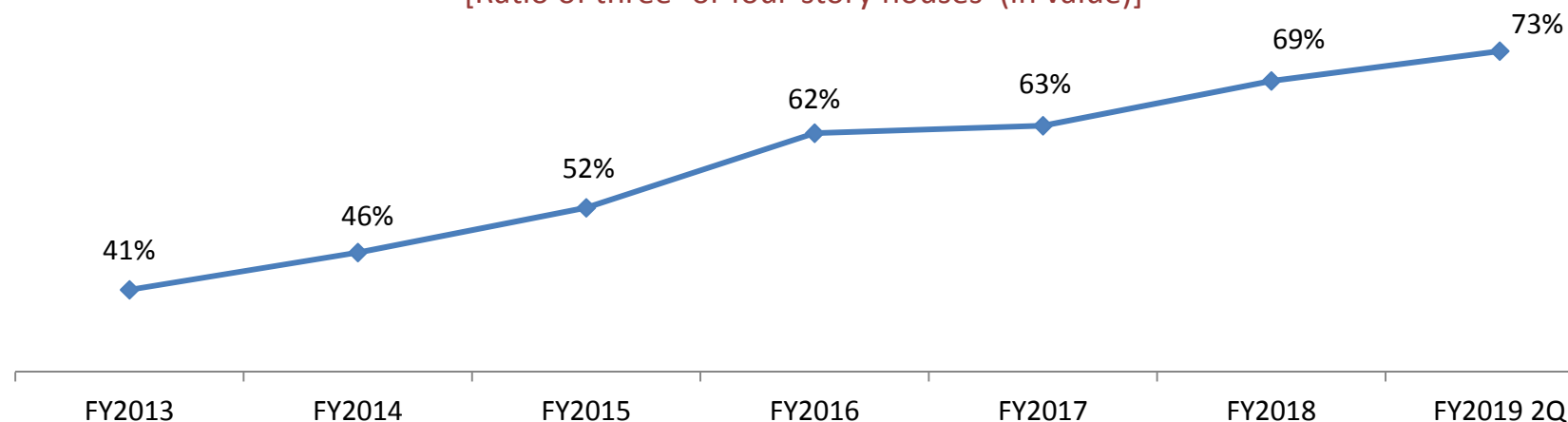
### Gross margin

The gross margin has fallen due to a change in the discount rate for retirement benefit obligations and the impact of reinforced concrete houses.



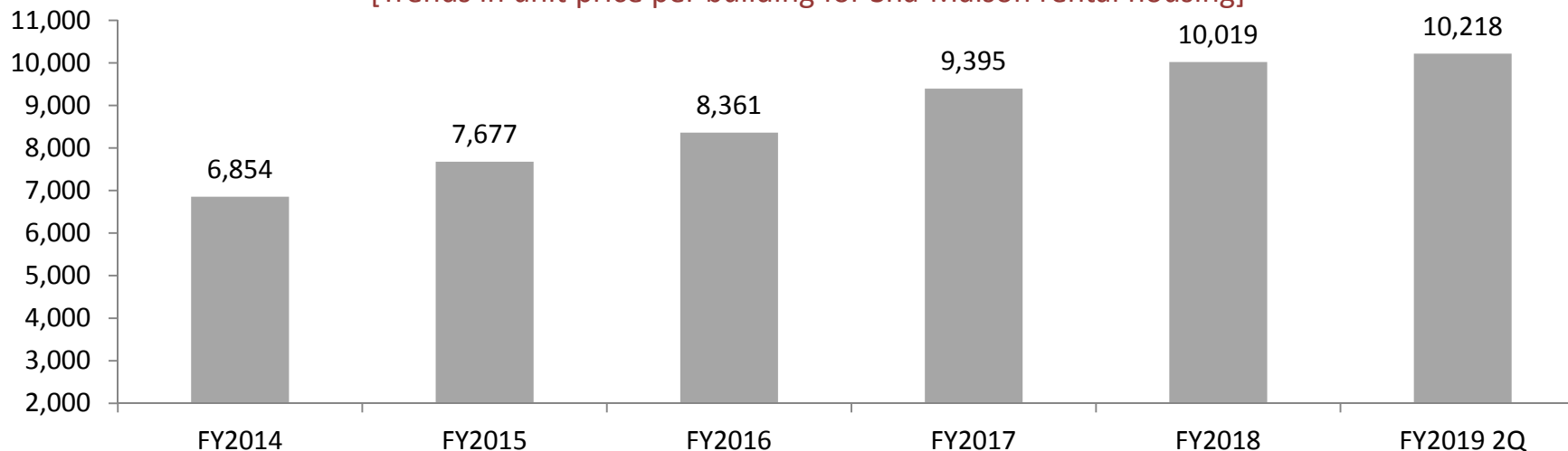
**The ratio of 3- and 4-story houses and unit price per building rose due to area marketing centered on urban areas.**

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



(10 thousand yen)

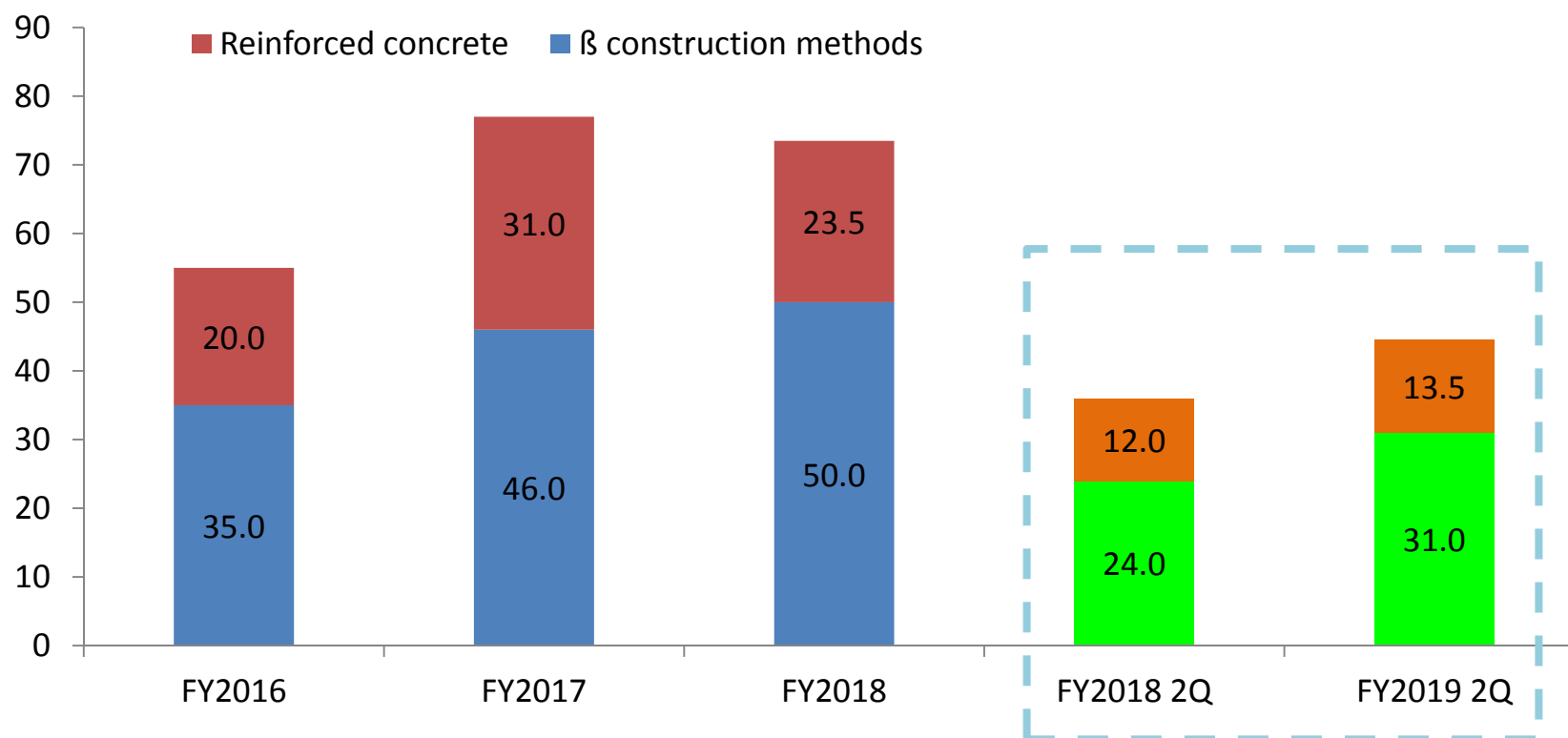
[Trends in unit price per building for Sha-Maison rental housing]



**[Built-to-Order Business] Business expansion of non-housing area /  
β system construction method using materials shipped from our factories**

Trend in orders of non-housing properties  
Orders are steadily progressing.

(Billion yen)



\*β construction method is Sekisui's original method for 3- and 4-story mid rise buildings using material shipped from own factories.





Track record of more than 800 properties worldwide



## Trip Base Michi-no-Eki Stations Project has been steadily progressing.

### Orders to be received in FY2019.

15 locations in following 6 prefectures:

- Tochigi
- Mie
- Gifu
- Wakayama
- Kyoto
- Nara



Of which, projects contracted in 1H:

(adjacent Michi-no-eki stations)

>> Tochigi (Utsunoiya Romantic Village in Tochigi)

>> Kyoto (Umi no Kyoto Miyazu / Kyotamba Ajimu no sato)

>> Gifu (Minokamo / Kokindenju no sato Yamato /  
Mino Niwaka Chaya / Sakura no sato Shokawa)

### 1<sup>st</sup> Phase - To open in and after autumn 2020 in 6 prefectures

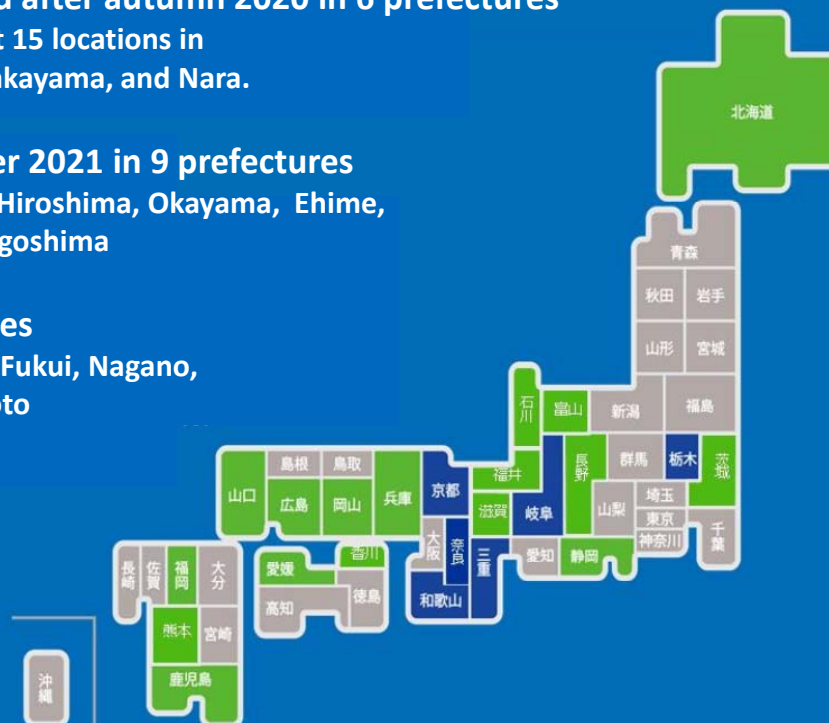
Approximately 1,000 units at 15 locations in  
Tochigi, Gifu, Mie, Kyoto, Wakayama, and Nara.

### 2<sup>nd</sup> Phase - will open after 2021 in 9 prefectures

Hokkaido, Shizuoka, Hyogo, Hiroshima, Okayama, Ehime,  
Yamaguchi, Fukuoka, and Kagoshima

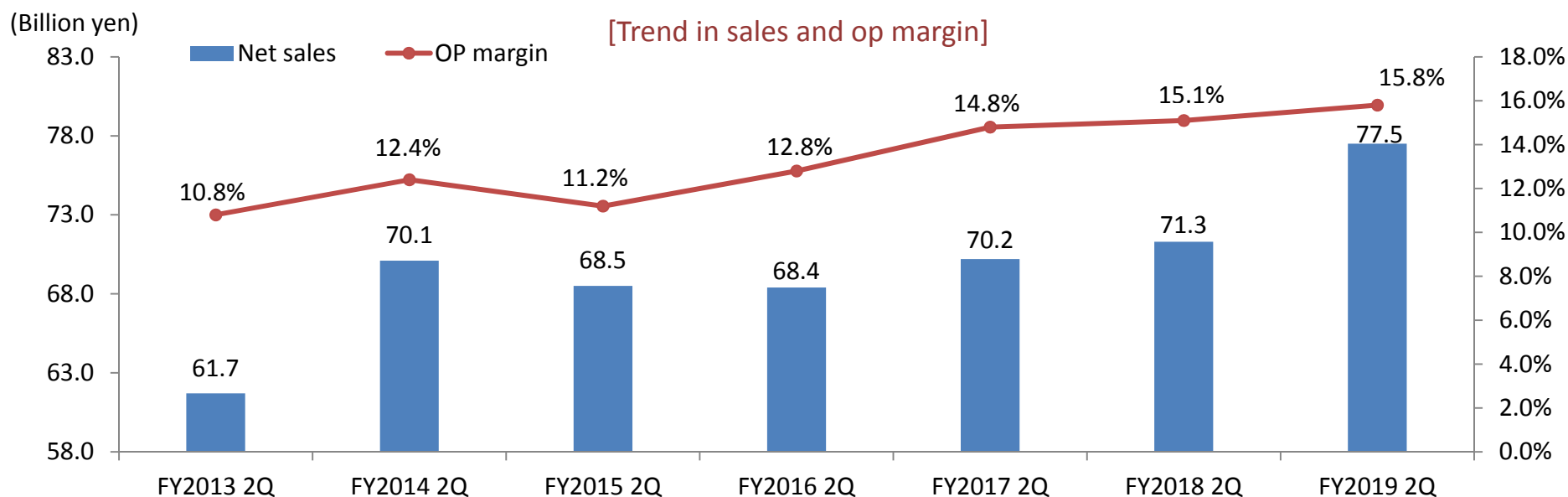
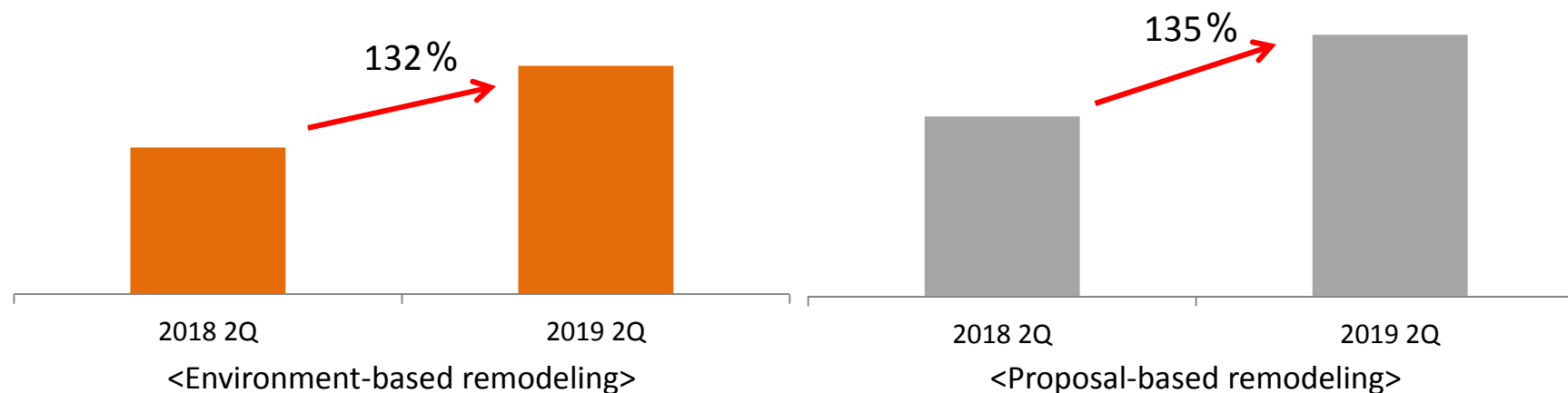
### After 2022 in 8 prefectures

Ibaragi, Toyama, Ishikawa, Fukui, Nagano,  
Shiga, Kagawa, and Kumamoto



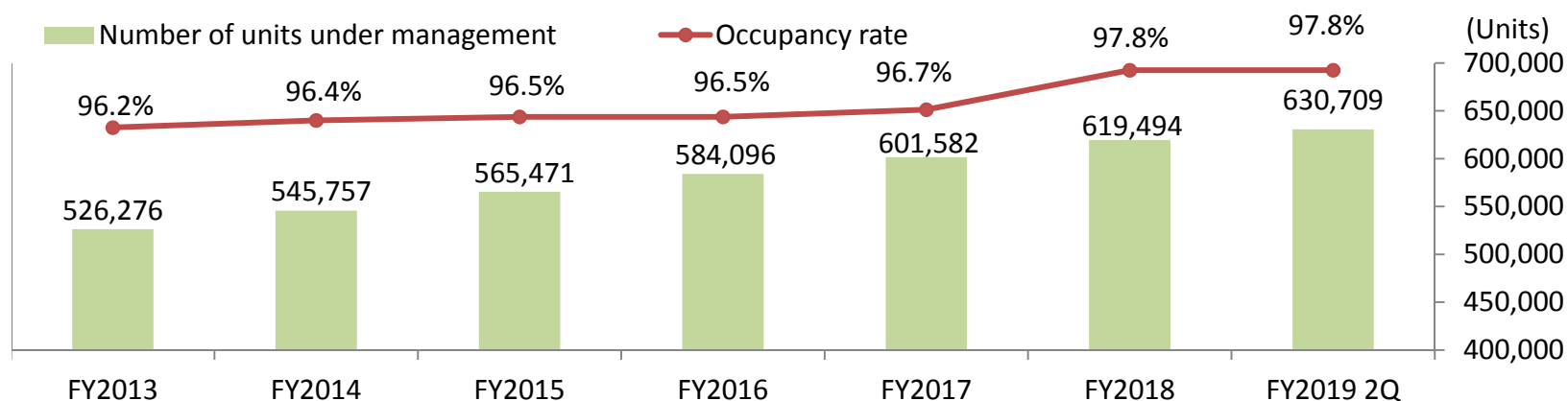
**Success in proposal-based major remodeling. / Steady growth in environment-based remodeling.**

[Trends in orders for value-added remodeling of three Sekisui House Remodeling companies]



**Both sales and income rose, reflecting an increase in the number of units under management and the continued maintenance of a high occupancy rate by supplying high-quality rental housing**

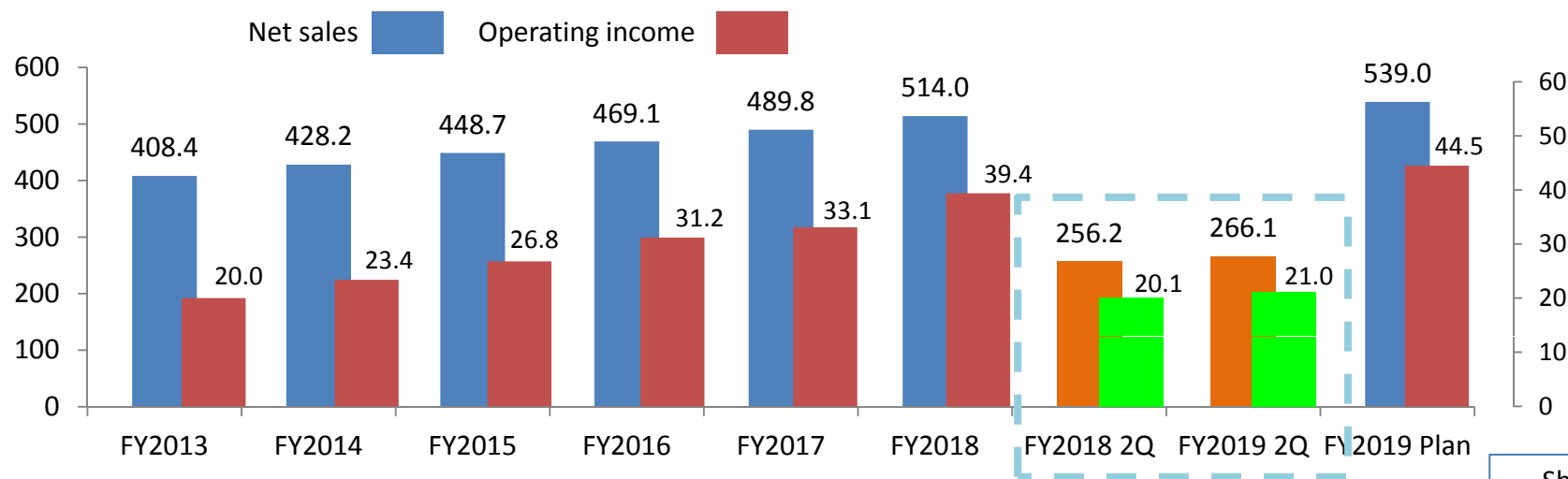
[Number of units under management / Occupancy rate]



**Profit margins are remarkably improving.**

(Billion yen)

(Billion yen)



### [Sales plan in the Condominiums Business]

**Succeeded with area marketing focusing on Tokyo, Nagoya, Osaka and Fukuoka.  
Deliveries made steady progress in line with the Company's plan.**

Completed inventory: 172 units

Contracted rate to 2H sales plan: 95%

Major projects to be delivered in FY2019

- Grande Maison Shin Umeda Tower: 137 units (already delivered in 1H 2019)
- Grade Maison Shinagawa Seaside no Mori: 380 units
- Grande Maison Uemachidai the Tower: 200 units

Success with area marketing and progress towards reliably positing revenue during the mid-term management plan.



Grande Maison Uemachidai the Tower

### [Progress in the Urban Redevelopment Business]

**Conducted 90 % of planned property sales in the 1H.**

Property sales made good progress, including sales of seven properties to Sekisui House Reit.

The asset size of the Reit was approximately 527.5 billion yen as of June 19, 2019 with Akasaka Garden City and other properties incorporated into its portfolio.

Good progress made in sales of properties in the first half has raised the probability of achieving the full-year plan.



Akasaka Garden City



Garden City Shinagawa Gotenyama

### Australia

(Market environment)

The housing market has been struggling since last year, and sales were weak in the first half.

The conservative ruling coalition won the federal elections held in May. Following the elections, there were signs of recovery in the market, reflecting expectations for an economic stimulus package and tax reform. However, preferential treatment for first-time buyers, including subsidies, is not expected to be executed in earnest until next year, and sales are slowing.

### U.S.

(Market environment)

#### Multifamily business

On the West Coast, income upward trend is seen as wages are rising, reflecting a vibrant working environment. Institutional investors are expected to continue to be willing to invest in the market given a favorable supply-demand balance on the back of strong rental demand, a low vacancy rate, and a decline in the number of properties under construction.

#### Master-planned community business / Woodside Home (Homebuilding)

In the second half of 2018, the business was at a standstill due to rising house prices and the effect of mortgage interest rates. In the second half of 2019, the housing market is expected to be underpinned by a continued favorable employment and income environment, firm demand for houses, particularly among the millennial generation, and a low mortgage interest rate.

### China

(Market environment)

The economy has entered an adjustment phase, while consumer spending and GDP per capita are increasing. Although restrictions against real estate sale are continued, sales of our houses are very strong, particularly in Taicang, Suzhou, given the increased visibility of the Sekisui House brand.

### Singapore

(Market environment)

In the April-June quarter, private house prices rose 1.5% year on year, indicating that demand remained firm. Sales of condominiums under construction are making steady progress. Meanwhile, Singapore is facing a challenging macroeconomic environment, and GDP in the April-June quarter fell 3.3% year on year. The Singaporean government has revised Singapore's economic growth forecast in 2019 downward to zero growth. The real estate market needs to be closely watched.

## [Overseas Business] Earnings Plan



(Billion yen)

Country	FY2017			FY2018			FY2019 2Q			FY2019 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	61.5	9.9	10.0	41.9	(1.9)	(1.8)	7.6	(0.5)	(0.6)	24.8	0.9	1.0
China	37.9	2.4	2.5	37.3	2.7	3.3	21.5	1.8	2.2	50.0	4.1	5.7
U.S.A.	207.1	18.3	16.4	166.6	16.5	13.9	179.7	29.5	27.1	256.8	31.1	26.4
Singapore	-	-	0.7	-	-	3.8	-	-	1.6	-	-	3.2
Other administrative expenses	-	(1.0)	(1.0)	-	(1.1)	(1.1)	0.0	(0.6)	(0.7)	-	(1.1)	(1.1)
Total	306.7	29.7	28.7	245.9	16.3	18.1	208.9	30.1	29.6	331.6	35.0	35.2

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



<U.S.A.>

Master-planned community	¥21.2 billion
Multifamily	¥116.8 billion
Homebuilding	¥40.4 billion

Six projects were delivered in the multifamily business.



The Griffin



The Grace



Chroma



Union Denver



The Perry



## [Overseas Business] Major Properties Sold in 1H FY2019

### <Australia>

Condominiums	¥5.2 billion
Detached houses for sale, built-to-order	¥1.9 billion



The Orchards 49 units



West Village 32 units



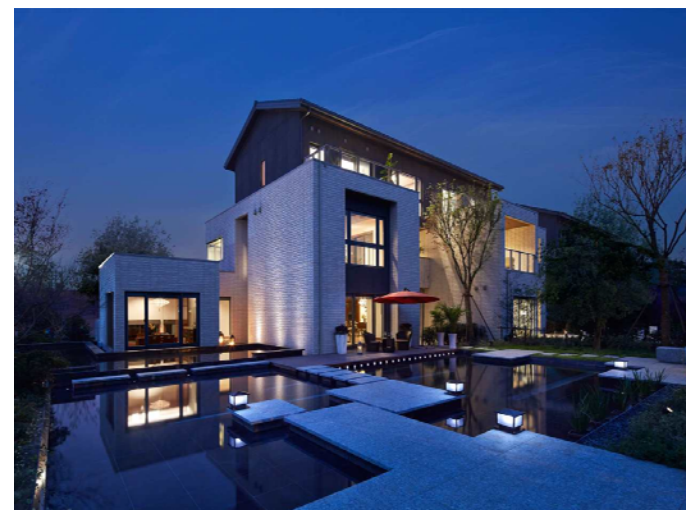
The Hermitage 19 buildings

### <China>

Condominiums	¥20.7 billion
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Suzhou 358 units

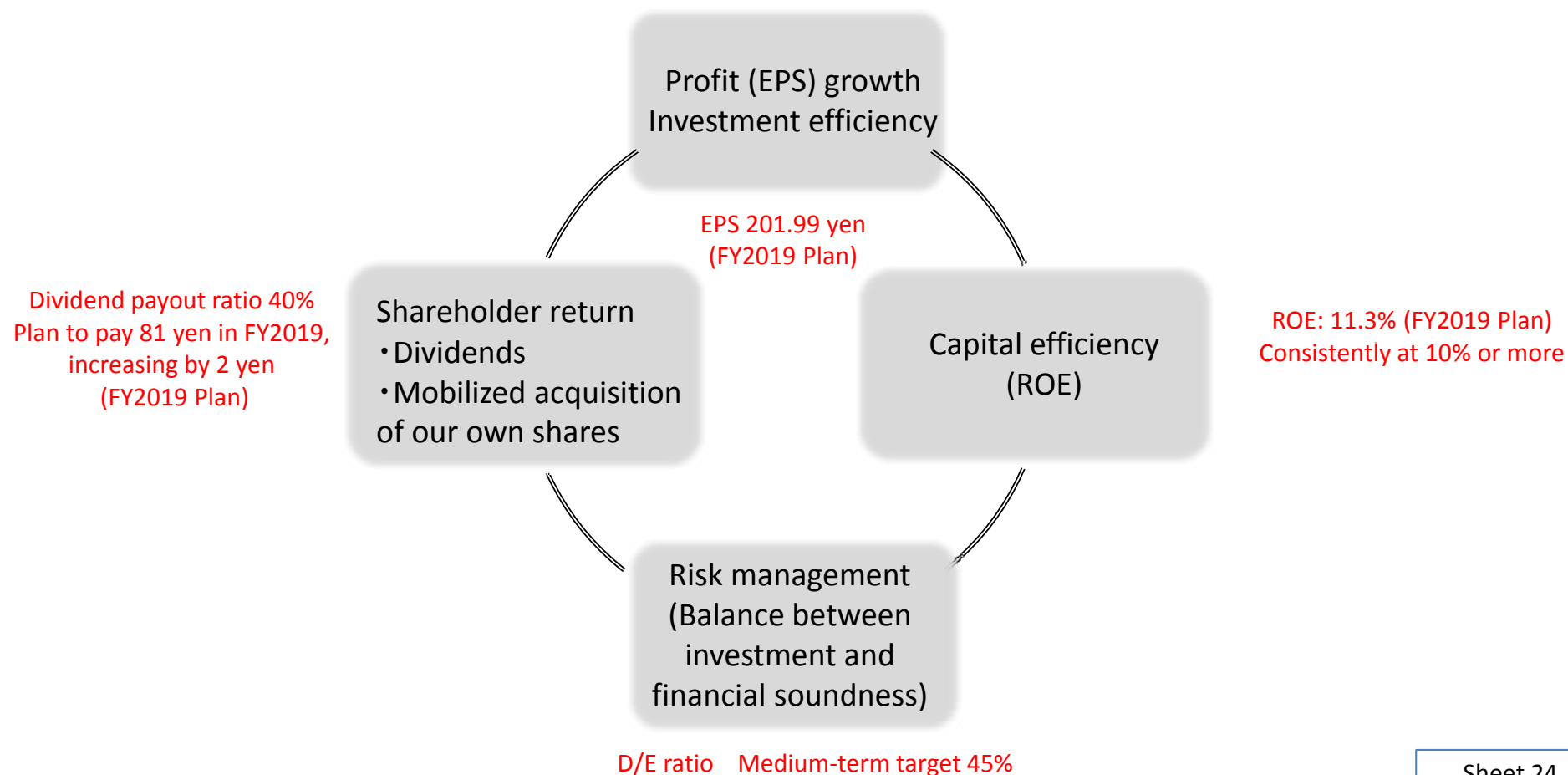


Wuxi 64 units



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

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



## Business asset turnover ratio

For the Real Estate Development Business over the three years of the Mid-term Management Plan, Although 1.7 trillion yen had been planned for both investment and collection, we will reduce investment and prioritize collection.

<Three-year plan>

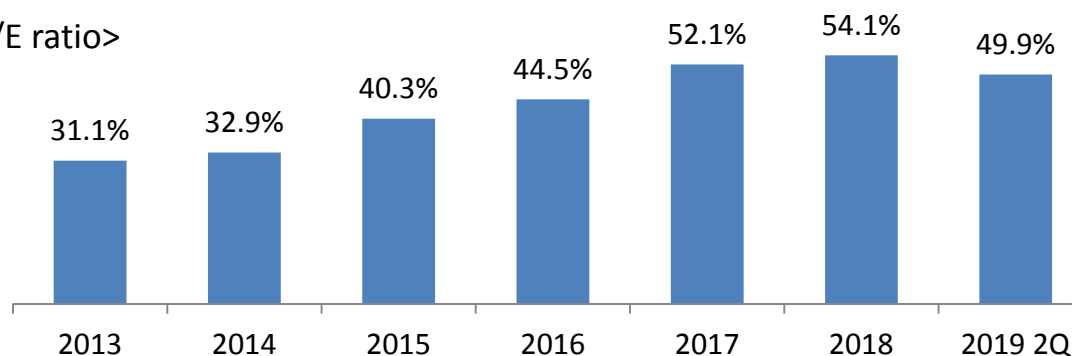
(Billion yen)

	Plan			Progress in 2.5 years			
	Domestic businesses	Overseas Business	Total	2017	2018	2019 2Q	Total
Investment	650.0	1,050.0	1,700.0	573.4	480.8	215.3	1,269.6
Collection	700.0	1,000.0	1,700.0	559.7	546.6	375.5	1,481.7
Net investment	(50.0)	50.0	0.0	13.7	(65.8)	(160.2)	(212.1)

## Financial soundness

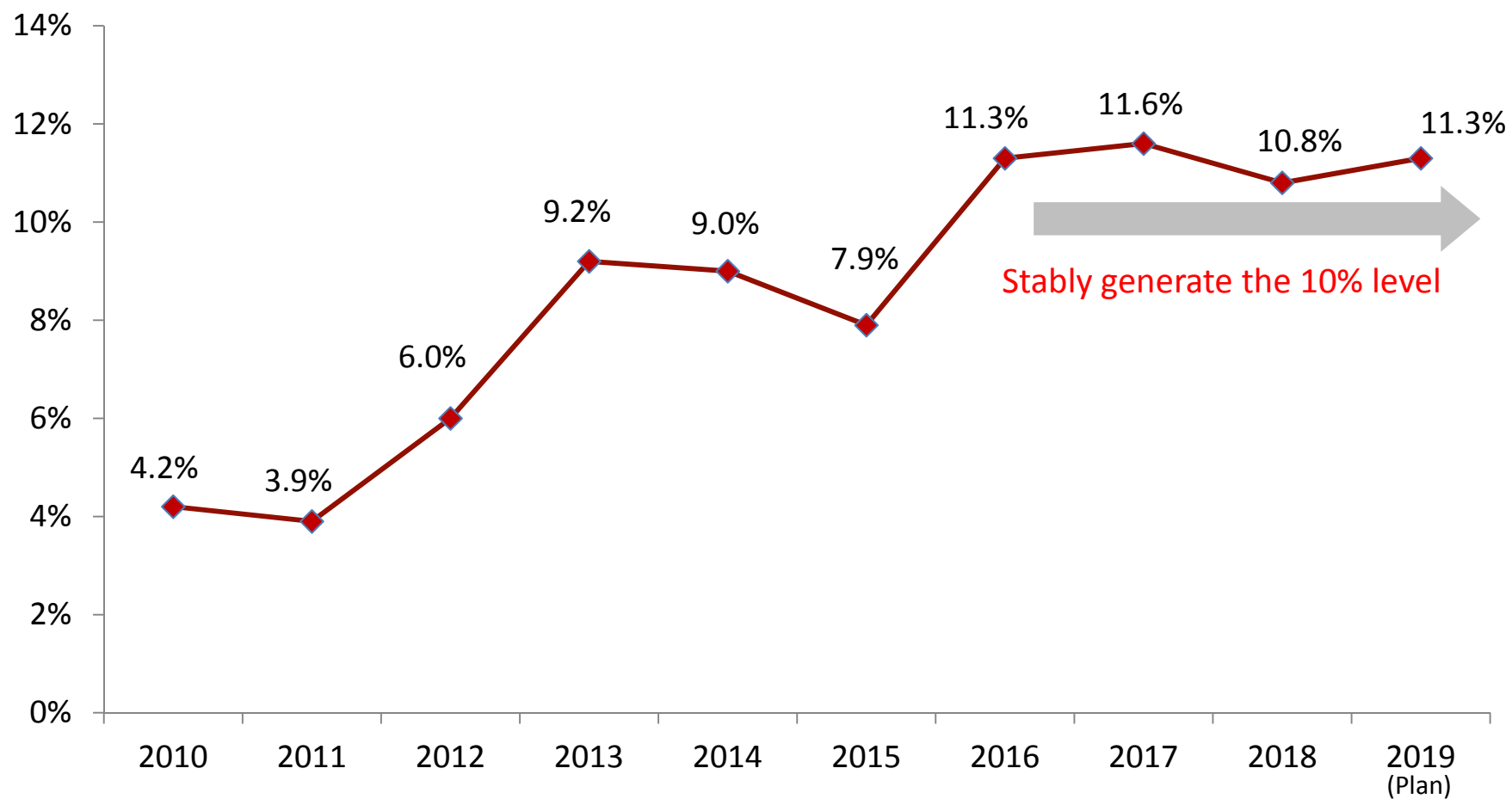
D/E ratio mid-term target: 45%

<Changes in the D/E ratio>

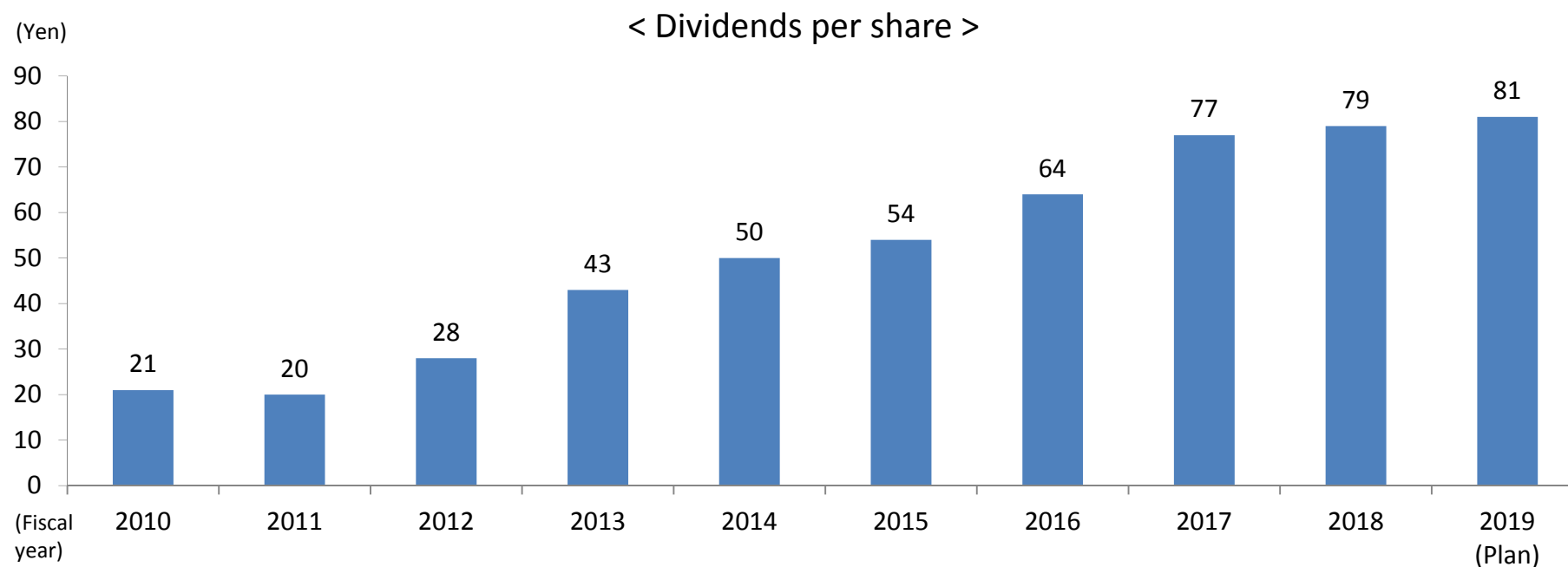


## ROE

In addition to an increase in EPS due to profit growth,  
we will also continue to improve ROE subsequently.



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



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 Plan
EPS (yen)	45.02	42.90	69.17	118.63	130.91	120.16	175.48	193.06	186.53	201.99
Dividends per share (yen)	21.00	20.00	28.00	43.00	50.00	54.00	64.00	77.00	79.00	81.00
Payout ratio	46.7%	46.6%	40.5%	36.2%	38.2%	44.9%	36.5%	39.9%	42.4%	40.1%

**[Aims to become a leading ESG management company]**

**GPIF ESG indices**



FTSE Blossom  
Japan



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

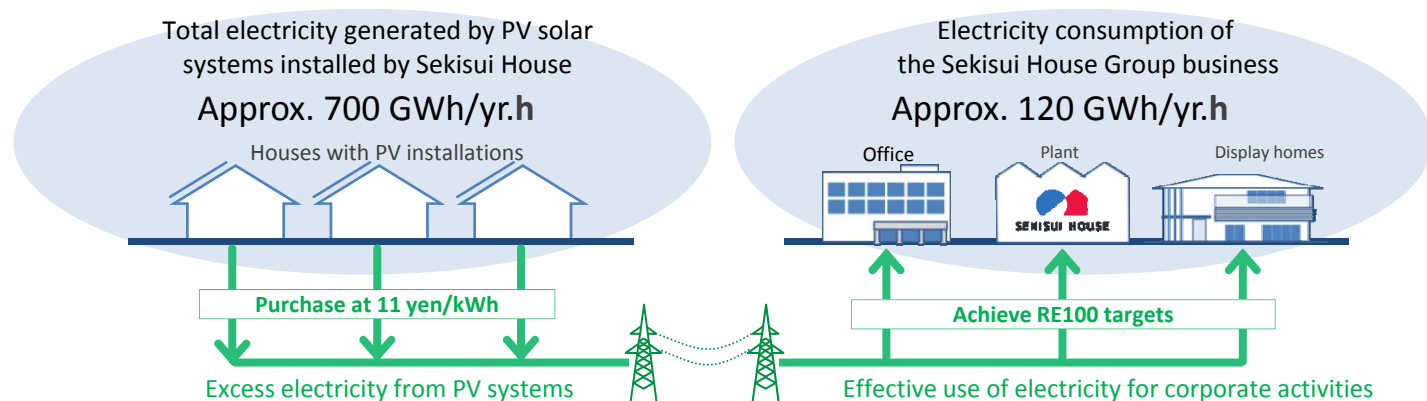


女性が輝く  
先進企業 2017



Sekisui House to Purchase Post-FIT Electricity from Homeowners  
To Use for Corporate Activities  
Launch Service to Resolve Post-FIT Issues and Achieve RE100 Initiative Target

- Launch Sekisui House Owner Denki exclusively for post-FIT electricity of the owners
- Purchase price of 11 yen/kWh for post-FIT electricity
- Aiming to meet Sekisui House Group RE100 initiative targets using purchased electricity in the Sekisui House Group



**Announced that all male employees who have children under the age of three will take childcare leave of at least one month. The *Ikumen* childcare leave scheme has started since September 2018.**

-All male employees who have children under the age of three will take at least one month of childcare leave from the birth of the child until they reach the age of three. The first month of leave will be paid, and the leave can be split into up to four short blocks.

-The Family Meeting Sheet and *Ikumen* Leave Plan are used as communication tools. Efforts are currently underway to encourage male employees to complete childcare leave through a range of initiatives, including forums to raise awareness about the significance of the childcare leave acquisition, a portal site dedicated to sharing successful examples among employees, and an alert system to prevent childcare leave from being left unused.

From September 1, 2018 to August 31, 2019

Leave Plan Submission: 1,163 out of 1,567 employees (all eligible employees)  
Submission Rate: 74.2%



Of Number of Employee Commencing Leave: 1,113,

Number of employees completing leave: 582, number of employees continuing leave: 531

***Ikumen* Forum to be held in September 19.**

## 【ESG】 Governance (Status of Strengthening of Corporate Governance System)



	FY2018	FY2019
<b>Introduction of a mandatory retirement age of 70 for representative directors</b>	➤ Resolved at the meeting of Board of Directors in Mar 2018	
<b>Appointment of women as external officers</b>	➤ Approved at the General Meeting of Shareholders in Apr 2018 (Elected one female external director and one female external corporate auditor)	
<b>Transparency and invigoration of Board of Director meeting operations</b>	➤ Resolved at the meeting of Board of Directors in Feb 2018 (Separation of the chairman of the Board and the convener)	
<b>Establishment of the Management Meeting</b>	➤ Resolved at the meeting of Board of Directors in Feb 2018 (held 8 times in FY2018, to be held 10 times in FY2019)	
<b>Clarification of department under the control of directors</b>	➤ Resolved at the meeting of Board of Directors in Mar 2018 (Structural reform in April 2018)	
<b>Evaluation of Board of Director efficacy</b>	➤ Resolved at the meeting of Board of Directors in Mar 2018 (To conduct a survey once a year)	
<b>Ensuring independence and strengthening internal checks of chief managers in charge of general affairs in sales administration headquarters and branches</b>		➤ Started from Nov 2018 (Provided training for those in charge of general affairs, Reviewed process of team and personnel evaluation)
<b>Improving the integrity of branch managers</b>		➤ Started from Nov 2018 (Launched Sekisui House Management School (program to cultivate and select future branch managers))
<b>Introduction of a stock remuneration plan with transfer restrictions</b>		➤ Approved at the General Meeting of Shareholders in Apr 2019 (Paid in Jun 2019)
<b>Elimination of the officer bonus system for outside directors</b>		➤ Approved at the General Meeting of Shareholders in Apr 2019
<b>Review of the term of office of directors</b>		➤ Policy resolved at the meeting of Board of Directors in Sep 2019 (To be referred at the General Meeting of Shareholders in Apr 2020)
<b>Abolishment of the executive advisor system</b>		➤ Policy resolved at the meeting of Board of Directors in Sep 2019 (To be referred at the General Meeting of Shareholders in Apr 2020)
<b>Fundamental review of the officers' remuneration system</b>		Under consideration to be referred at the General Meeting of Shareholders in Apr 2020
<b>Creation of the criteria and procedures of the election and dismissal of executives</b>		Under consideration to be referred at the General Meeting of Shareholders in Apr 2020



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.