



Sekisui House, Ltd.

Overseas Business Briefing 2021.1.18

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1. Area



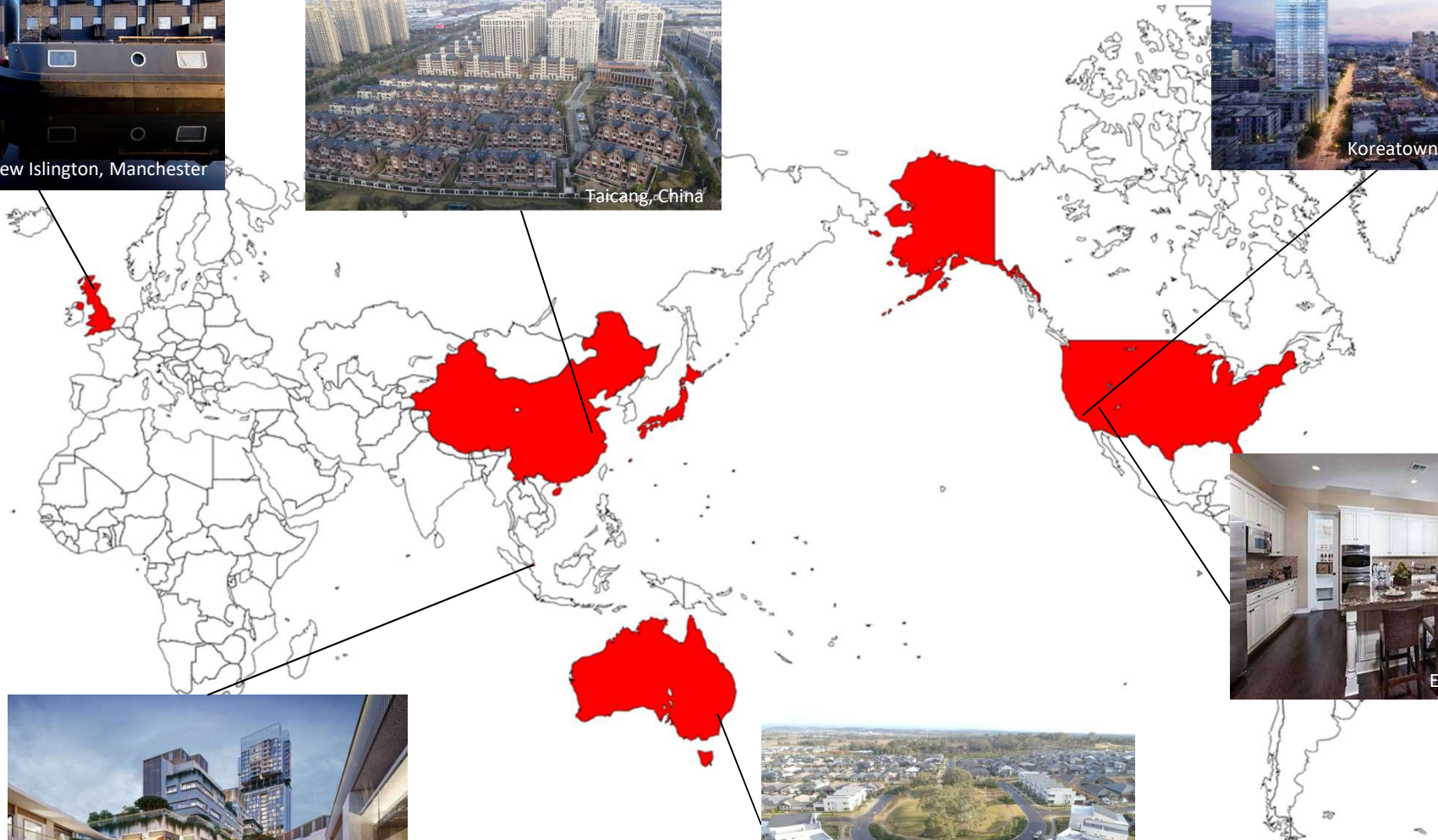
New Islington, Manchester



Taicang, China



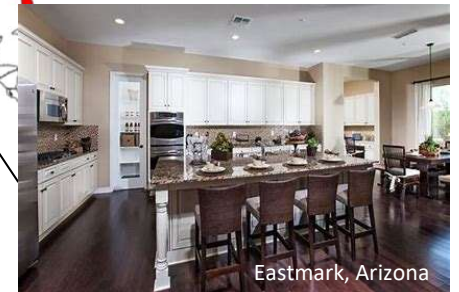
Koreatown, California



One Holland Village, Singapore



Hermitage, Sydney



Eastmark, Arizona

2. United States

- Multifamily (MF) apartment development business, and single-family homebuilding business.
- Leverage unique characteristics of two business groups to achieve stable growth in the United States.

● Multifamily apartment development



● Homebuilding business

● Master-planned community development



● Homebuilding



3. United States

(1) Development business

- Engaged in the multifamily business with Holland Partner Group since 2013.
- Pipeline: 20 projects (pre-construction: 4, under construction: 7, construction completed: 9)
- Recent activity: Land acquisition: 2, construction commenced: 4

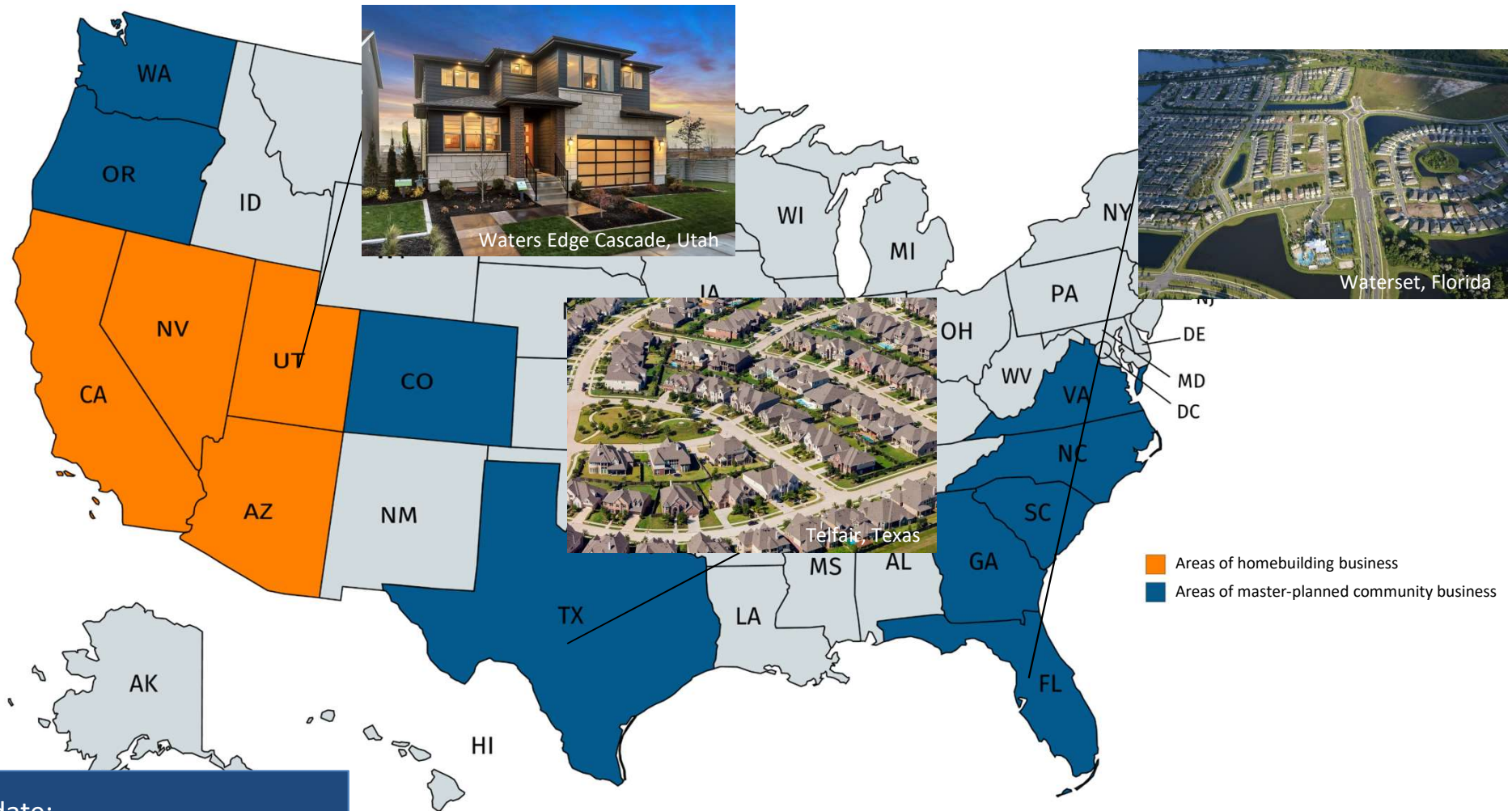


- Sold to date:
Number of projects sold: 16
Sales: 257.5 billion yen
- FY2020:
Number of projects sold: 2
Sales: 49.8 billion yen

3. United States

(2) Homebuilding business

- Develop business in the Western and South-eastern United States where there is strong housing demand.
- Developing master planned communities with Newland Communities since 2011.
- Entered the housing business in 2017 by making Woodside Homes a wholly owned subsidiary.

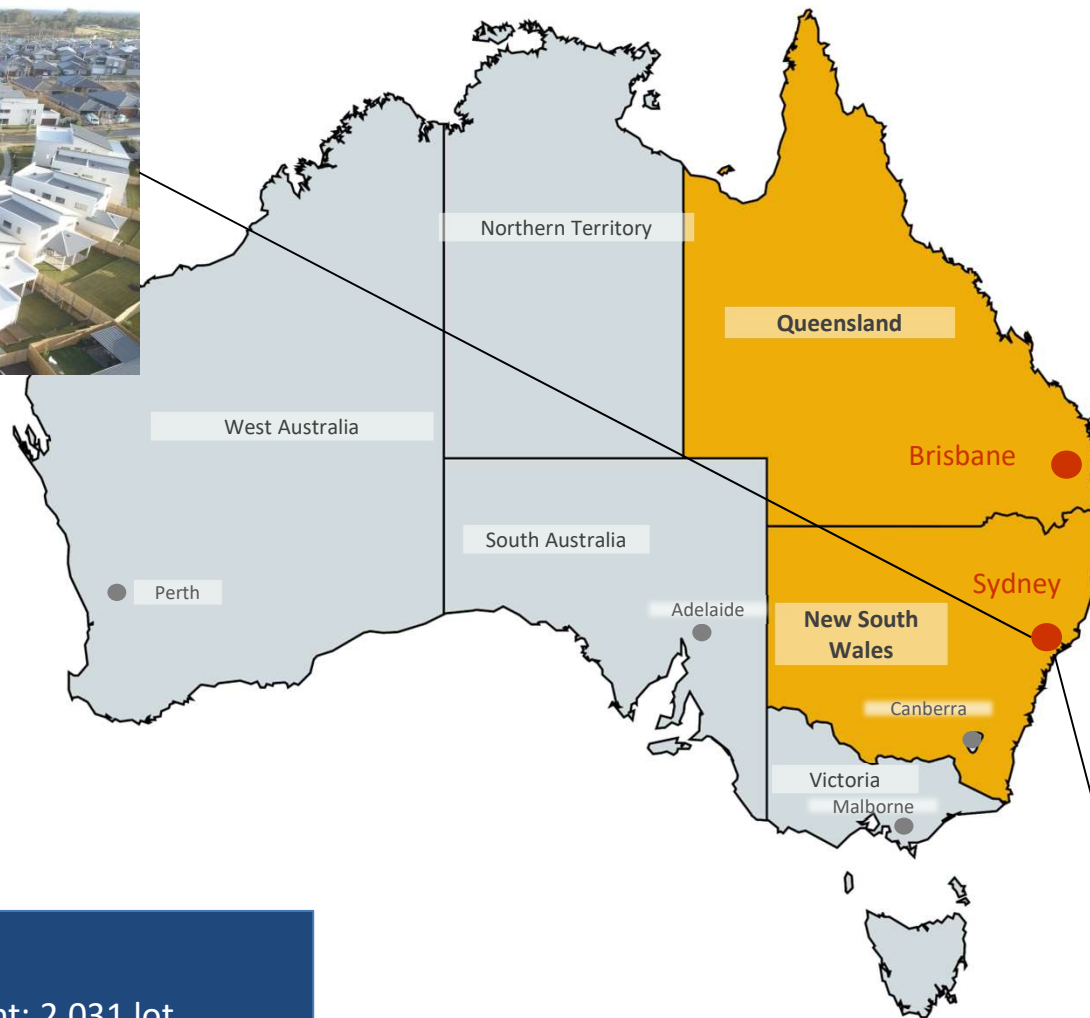


- Sold to date:
Detached house: 6,247 units
Housing lots: 31,962 lots

4. Australia

- Began supplying single-family houses and large-scale development projects in New South Wales and Queensland in 2008.

Homebuilding business



Development business



- Sold to date:
Housing land development: 2,031 lot
Development: 6,925 condominium units

Created with mapchart.net

5. China

- Engage in large-scale development business in Jiangsu Province and Liaoning Province since 2009.
- Cumulated sold: 6,331 units (Uncontracted: 362 units)

- FY2019:
Condominiums units sold: 1,236



6. United Kingdom

- Entered the housing market by investing in Urban Splash House Holdings together with Homes England in 2019.

- FY2019:
Houses sold: 40 units



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1. Earnings Plan

➤ The Fifth Mid-Term Management Plan (Announced on March 6, 2020)

(Billions of yen)

Country	FY2020		FY2021		FY2022		Total in three years	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
United States	285.6	31.8	213.7	20.8	311.2	39.0	810.5	91.6
Australia	43.4	3.5	75.3	11.1	55.8	4.5	174.5	19.1
China	81.0	12.0	42.0	5.0	15.0	1.0	138.0	18.0
Administrative expenses		(1.3)		(1.4)		(1.5)		(4.2)
Total	410.0	46.0	331.0	35.5	382.0	43.0	1,123.0	124.5

➤ Revised Plan for FY2020 (Announced on September 10, 2020)

Country	FY2020	
	Net sales	Operating income
United States	226.3	19.8
Australia	36.7	2.4
China	87.0	14.0
Administrative expenses		(1.3)
Total	350.0	34.9

Aim to achieve operating income of 124.5 billion yen over three years established in the Medium-Term Management Plan.

2. Policies During the Fifth Mid-Term Management Plan

	The Fourth Mid-Term Management Plan (2017 – 2019)		The Fifth Mid-Term Management Plan (2020 – 2022)
ESG Strategy	Emphasizing ESG in business		Aiming to become a leading company in ESG management
Business Policy	Inception period -Focusing on business creation		Transformation period -Thorough research and information sharing between countries
Business Portfolio	Focusing on the development business - High volatility in the profit structure		The homebuilding business and the development business as two major businesses - Transfer of Sekisui House technologies to the world - Achieve consistent profitability
Area	Focusing on the United States and China		Focusing on the United States
Human Resource Development	No changes in positions in the long term		Acquiring managers from outside the Company / Cultivating global and management personnel
Role in the Development Business	Financial partner		Development partner
Role in the Homebuilding Business	Investor		Operator -Transfer of Sekisui House technologies

3. Promote ESG Management

- Promote overseas subsidiaries' ESG management to become a leading company in ESG management.

<E> Popularizing U.S.-type net zero energy house (ZEH)

As sustainable living environments are attracting an increasing amount of attention in the United States, we are developing and seeking to popularize a U.S.-type ZEH (net Zero Energy House), taking advantage of our environmentally friendly housing technology. Three ZEH houses completely meeting the ZEH criteria have been built. We also supply a number of ZNE-ready homes that meet local standards.



Image of U.S. version ZEH

<S> The participation of women within overseas subsidiaries

In the United States and Australia, a high percentage of employees are women. The percentage of women in managerial positions is increasing every year. In 2020, the first woman was appointed to be branch manager at the Central Valley Branch of Woodside Homes.

In Australia, the woman in charge of marketing and sales at West Village, a condominium project in Brisbane, received the 2020 Women in Leadership Award for Excellence from UDIA Queensland.



At the Ceremony (Center)

<G> Translating the corporate philosophy into English to ensure it is understood by all employees.

As we expand business into foreign countries, it is important for all employees to understand our corporate philosophy, particularly our Love of Humanity philosophy. Accordingly, we have translated our corporate philosophy into English in cooperation with related departments. We will share our philosophy with all employees around the world, while building a system for educating them.

4. Transfer of Sekisui House Technologies

- Provide homes for over 60 years since the company's foundation, while responding to the needs of the times and contributing to the resolution of social issues.
- Apply Sekisui House technologies overseas and contribute to a sustainable society.

(1) Make home the happiest place in the world

We will ensure that our vision of making home the happiest place in the world is shared not only in Japan but also in our overseas operations. We will change our main strategy in overseas markets, which has focused on price, to a customer-oriented strategy pursuing customer happiness to ensure that the homes of customers worldwide are the happiest place in the world for them.

(2) Improve the living environment in the countries where we operate

Instead of the proposal of uniform plans and options, we will create proposals designed for the lifestyle of the customer, considering things such as work space at home and pantries next to kitchens. We seek to improve living environment not only at home but also in the community. We create common-use outdoor spaces in the community and ensure that communities have sports facilities.



(3) Contribute to ESG initiatives in the field of housing

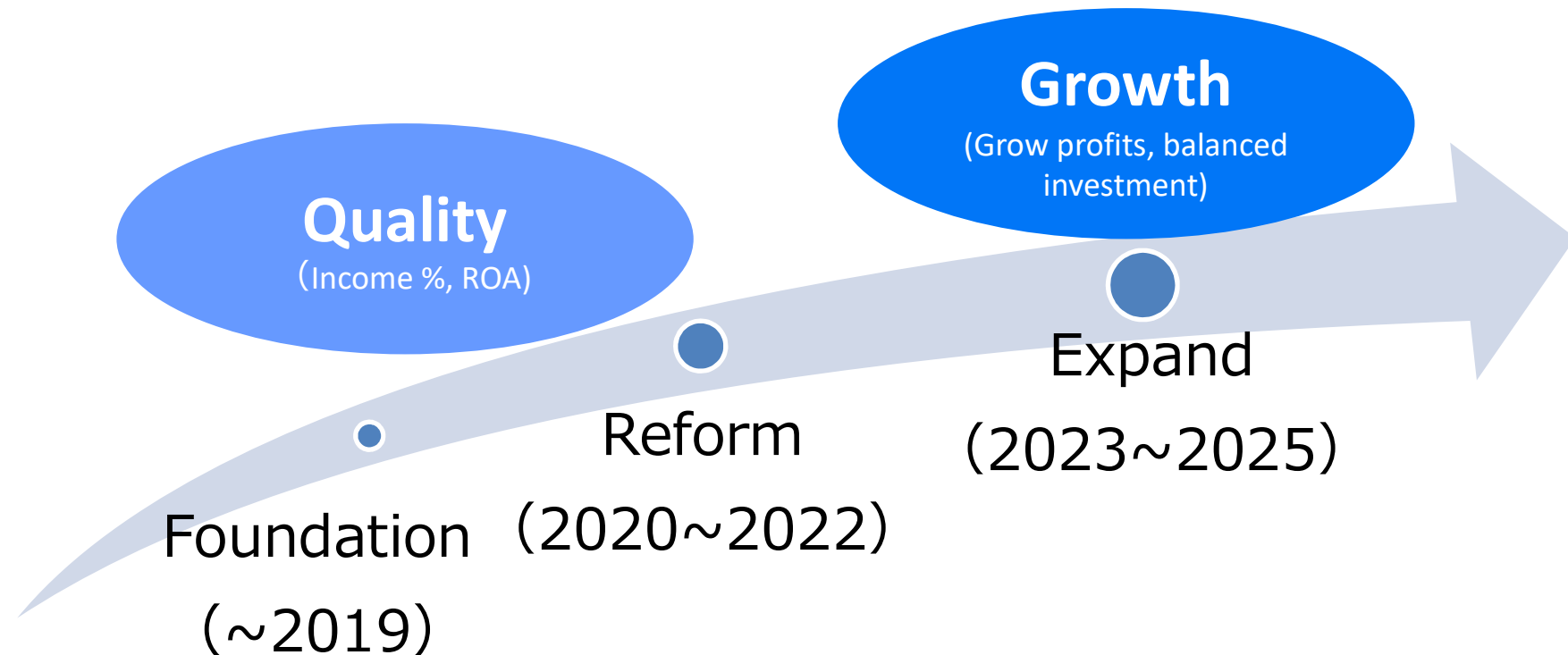
In addition to the contributions described in (1) and (2), we contribute to achieving a sustainable society through our strength in environmentally friendly initiatives. We contribute to solutions to environmental issues in the countries where we operate by providing increasing numbers of U.S.-type ZEH houses as well as by expanding our environmentally friendly SHINKA HOUSE initiative in Australia.

We work to help end the housing shortage in the United Kingdom, using our expertise in modern pre-engineered methods that we have developed since our foundation. Popularizing the pre-engineered method in the countries where we operate contributes to addressing supply shortages that are due to a lack of skilled workers.



5. Target Direction

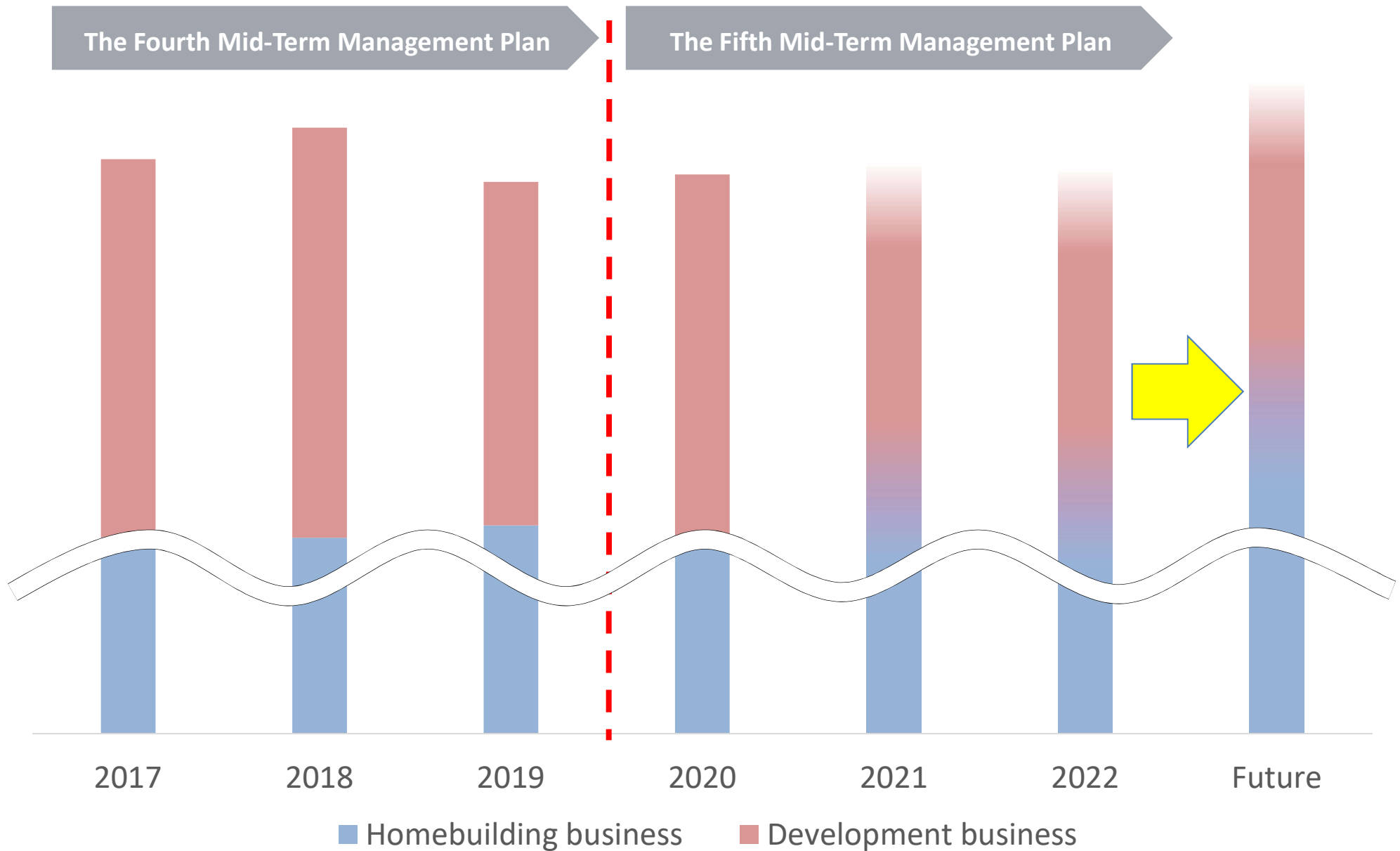
- The 5th mid-term business plan (2020~2022) will be...
Reform focusing on the Quality of our business:
Improved profitability & returns.



- The 6th mid-term business plan (2023~2025) will be...
Launch out of the 5th mid-term plan, focus on Scale and Growth:
Expand profits and balance investment portfolio

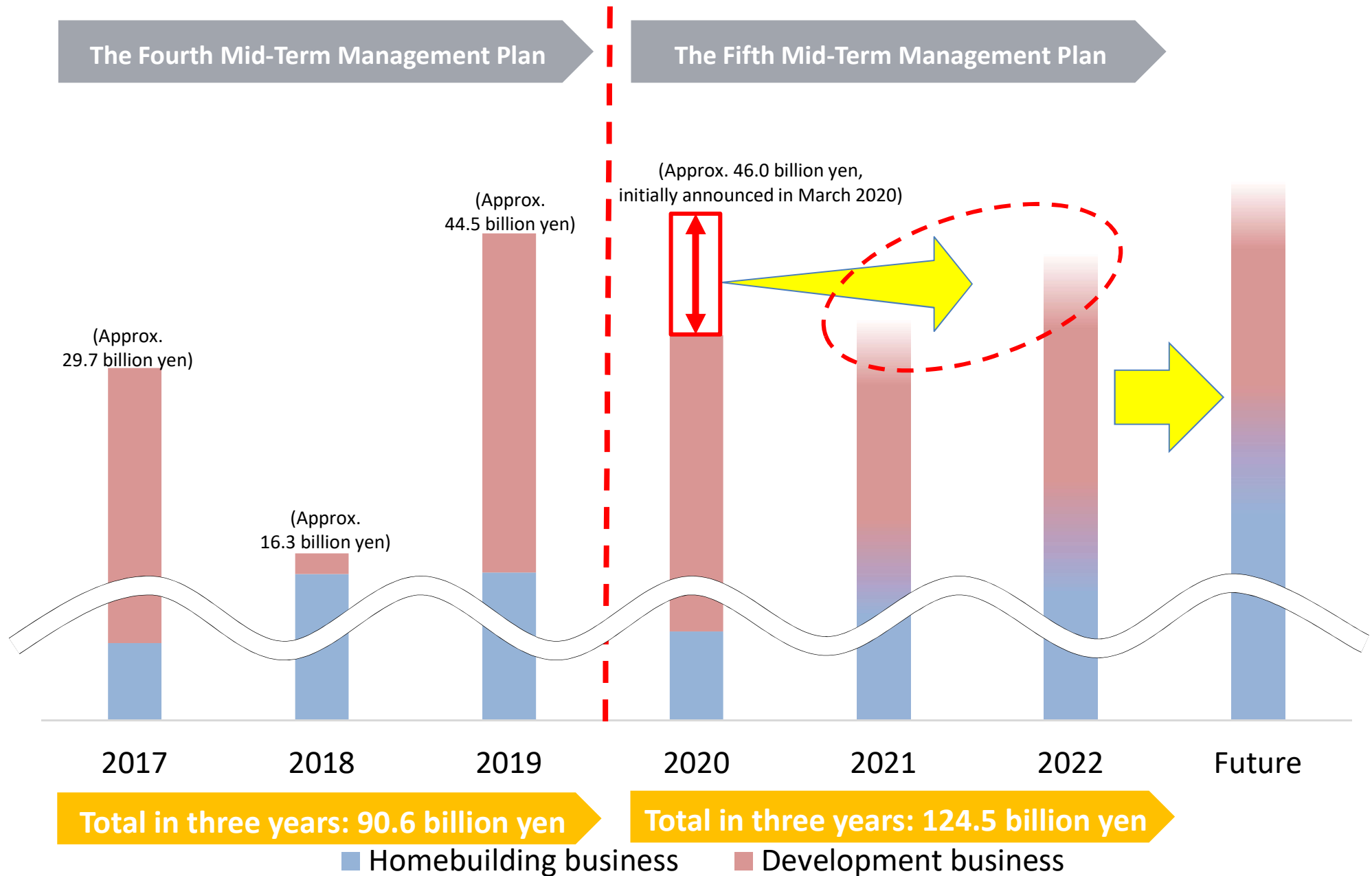
6. Trend by Business

(1) Asset balance



6. Trend by Business

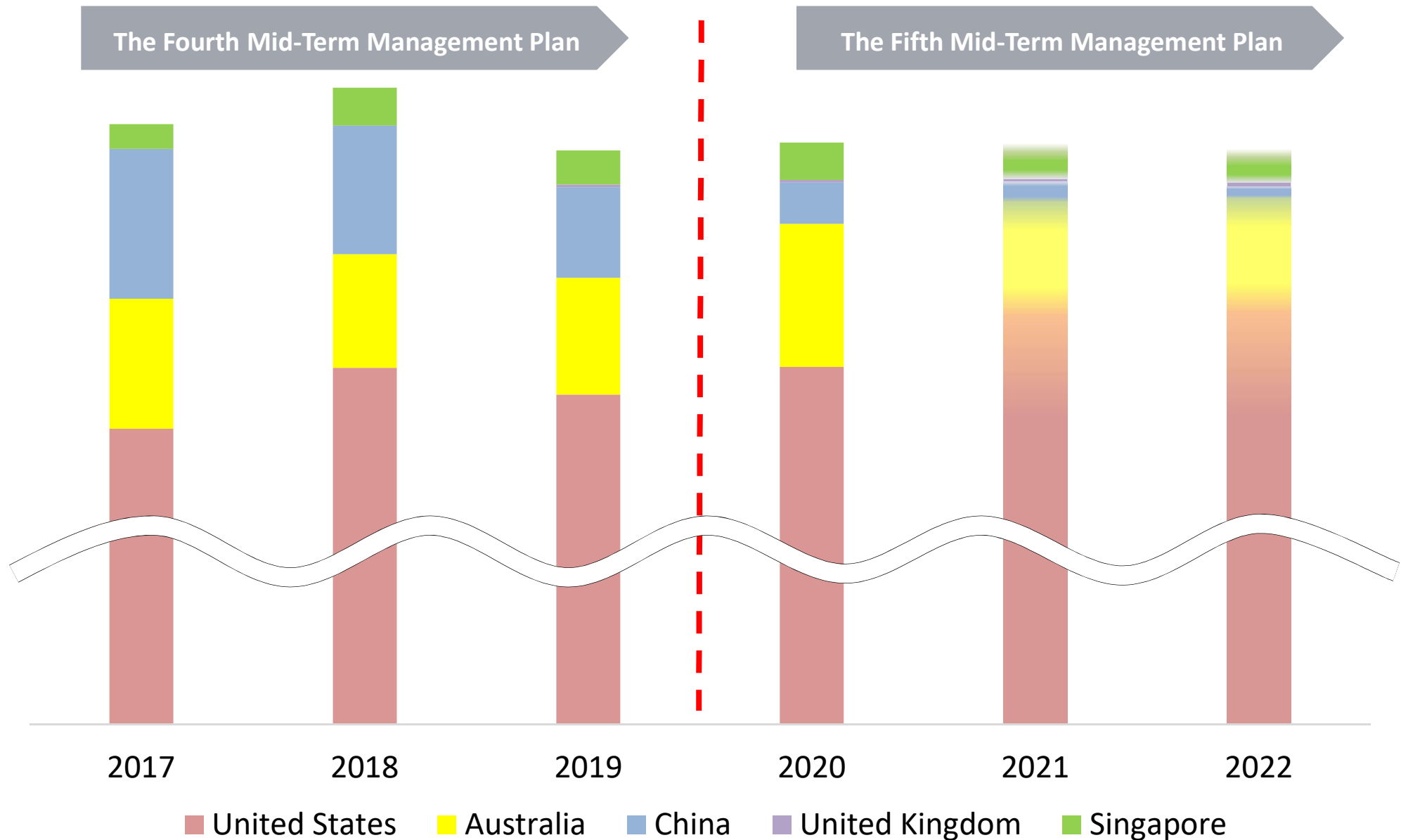
(2) Operating income



7. Trend by Country

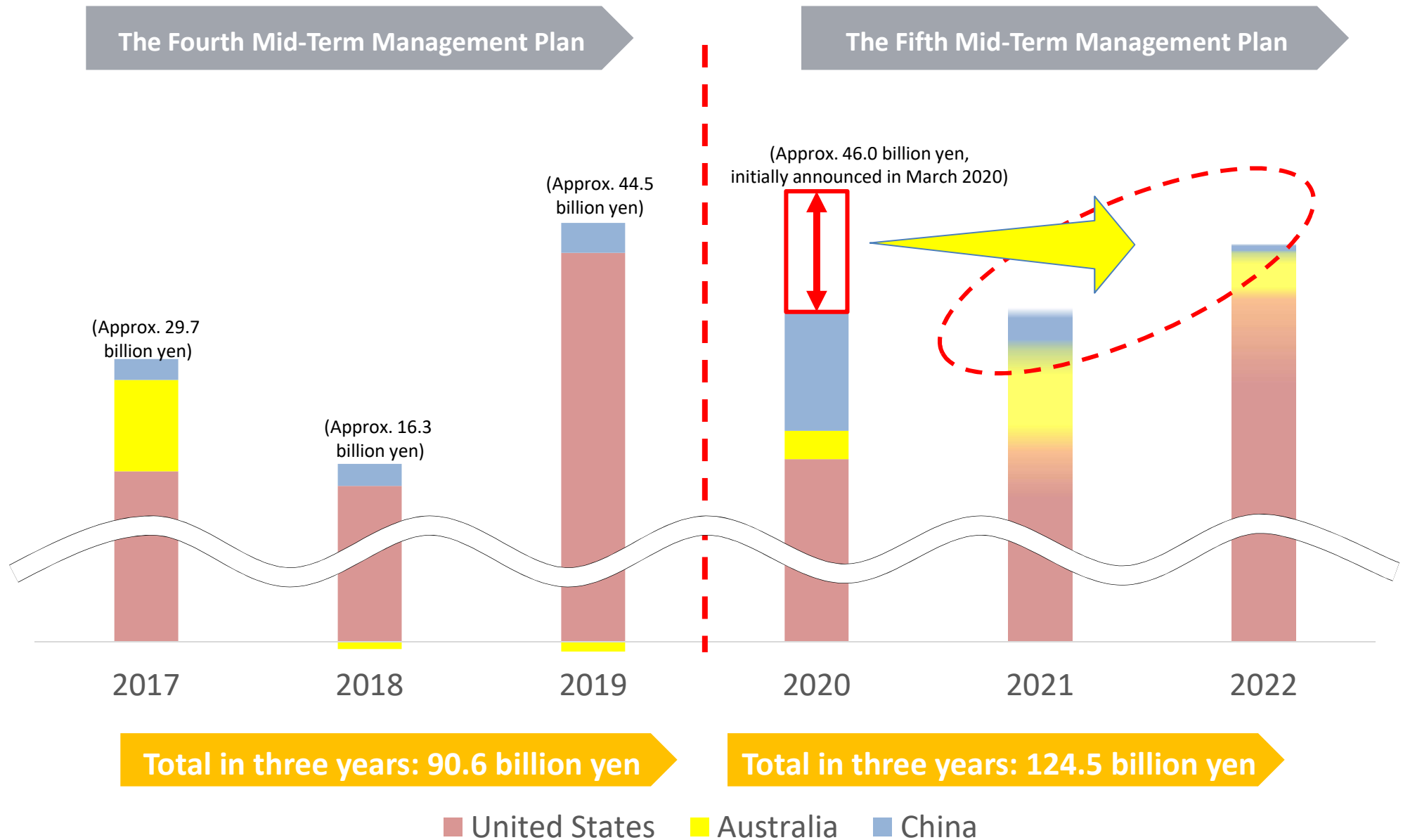
(1) Asset balance

- Investment balance of China will be decreased to near zero.



7. Trend by Country

(2) Operating income



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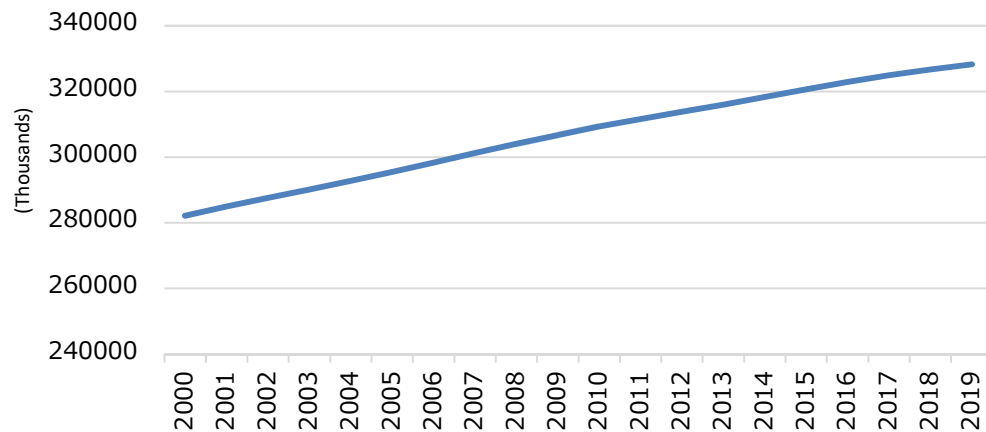
ii . Australia

iii . United Kingdom

1. Fundamental Data

- Population continues to grow steadily.
- After the financial crisis, housing demand has continued to recover. In 2020, demand expanded despite the impact of COVID-19.
- The 30-year mortgage is historically low, which has a strong positive effect on home buyers.

Population



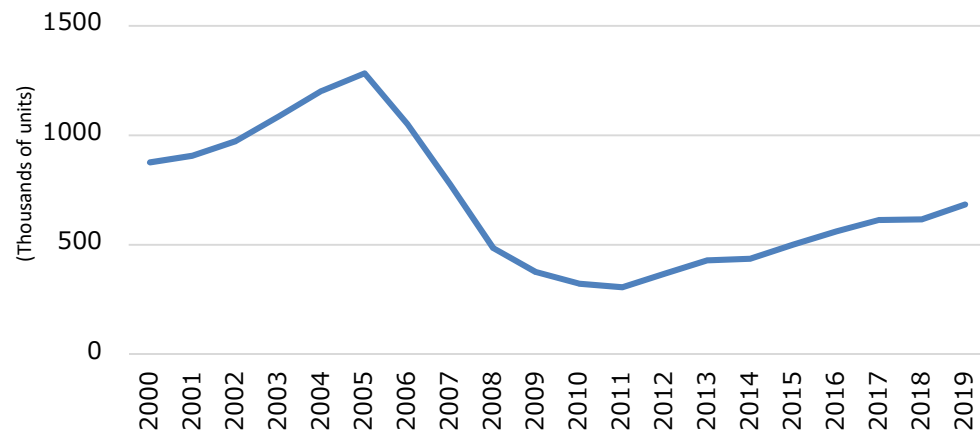
Source: Federal Reserve Bank of St. Louis

30-year fixed rate mortgage average



Source: Federal Reserve Bank of St. Louis

New single-family homes for sale



Source: Federal Reserve Bank of St. Louis

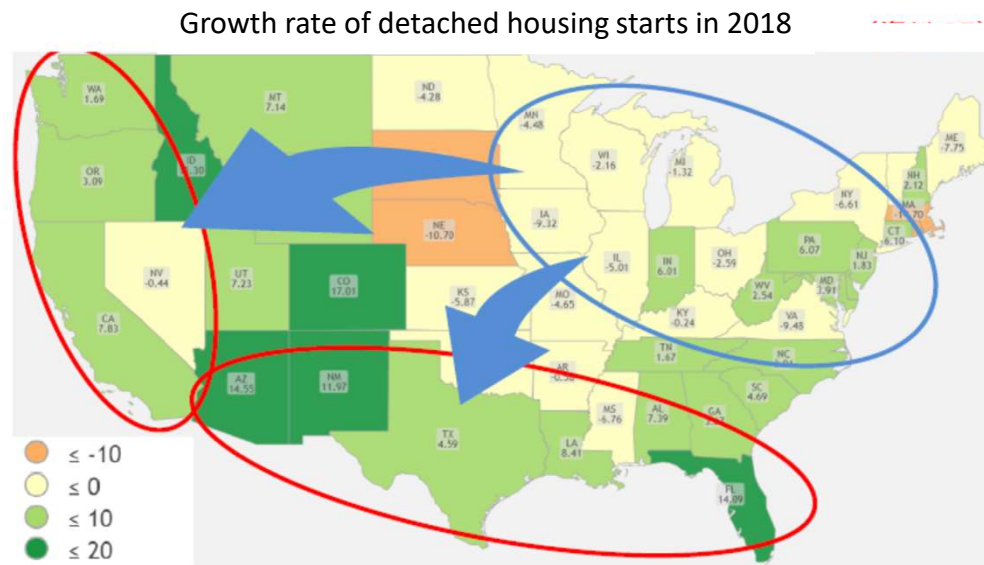
2. Market Characteristics

(1) Development business

*Innovation center: a market attracting human resources who enable the creation and development of innovative enterprises and support dynamic and sustainable growth.

- People are moving from the Northeast to the West and the South due to the warm climate and quality job opportunities in regional innovation centers.*
- The West and the South account for most of the huge U.S. market. In major cities, rents are continuing to rise.

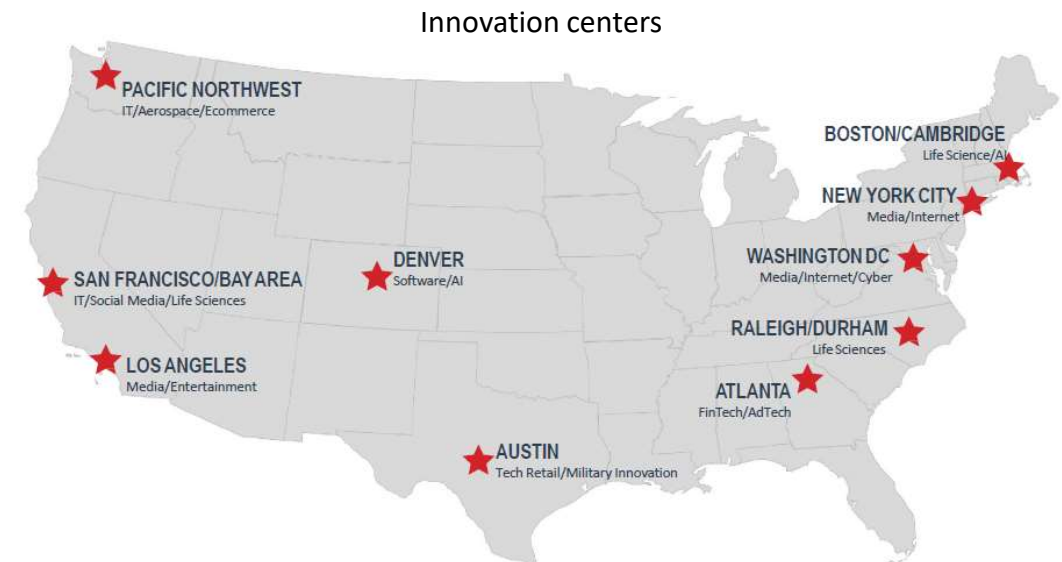
Migration to the west and south



Source: Federal Reserve Bank of St. Louis

People are moving from the Northeast to the West and the South due to the warm climate and quality job opportunities in those regions. The West and the South account for the most of the housing market.

Attractive cities



Innovation centers are scattered from the West to the South to the East. On the West Coast, the economy is driven by technology industries, including the IT and AI industries, and giants, such as Amazon and Facebook have a number of campuses. Rents around these bases are rising steadily.

2. Market Characteristics

(2) Homebuilding business

- Historically low mortgage rates and a trend of people returning to the suburbs to avoid the risk of COVID-19 infection has given a particularly strong boost to the detached house market in recent years.
- The increasing number of natural disasters, growing environmental awareness and other factors have created a market environment where we are able to demonstrate our strengths.

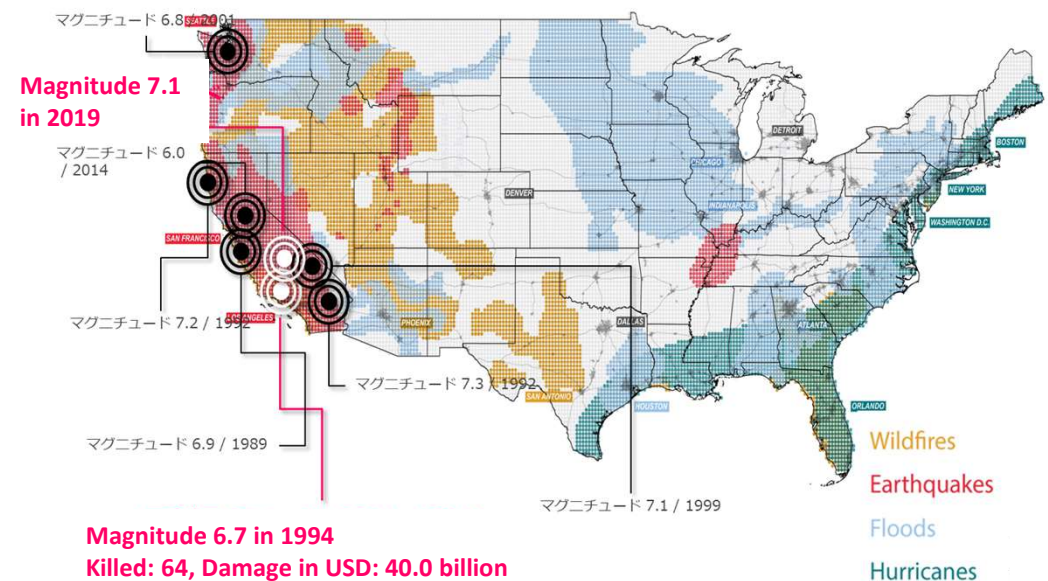
Housing demand

Source of Demand for New Housing Units	Updated 2018 Projection	2016 Projection
Projected Household Growth	12,174	13,576
Projected Additional Vacant Unit Demand	1,159	1,291
Vacant For Rent		
Updated Current Rate: 2.84% of households	345	
Previous Rate: 2.79% of households		379
Vacant For Sale		
Updated Current Rate: 1.05% of households	128	
Previous Rate: 1.21% of households		164
Second Homes		
Updated: Average of 2010-2016 2nd Home Ownership Rate (SCF)	686	
Previous: Average of 2010-2013 2nd Home Ownership Rate (SCF)		747
Projected Total Estimated Net Replacements	1,722	2,005
Updated Recent Average(2000-10 through 2007-17): 1.25% of total units	1,722	
Previous Average Rate (2000-2015): 1.49% of total units		2,005
Projected Total Baseline Demand for New Units	15,055	16,872
Annual Average	1,505	1,687

Source:: Census Bureau

Due to population growth and the curbing of construction during the 2008 global financial crisis, the United States is facing a serious housing shortage. The Harvard University Joint Center for Housing Studies estimates that new housing demand from 2018 to 2028 will be 15.05 million homes (1.5 million homes per year). The lack of housing will likely continue against the backdrop of strong housing demand.

Natural disaster and environmental awareness



Source: The McHarg Center

There have been many natural disasters in the United States, including the hurricanes affecting the Southeast, forest fires in inland regions, and earthquakes on the West Coast. Additionally, environmental awareness is growing, particularly on the West Coast. The United States is a market where we are able to demonstrate our strengths, including the ability to build homes that are resistant to natural disasters and have high environmental performance.

3. Business Strategy

(1) Development business

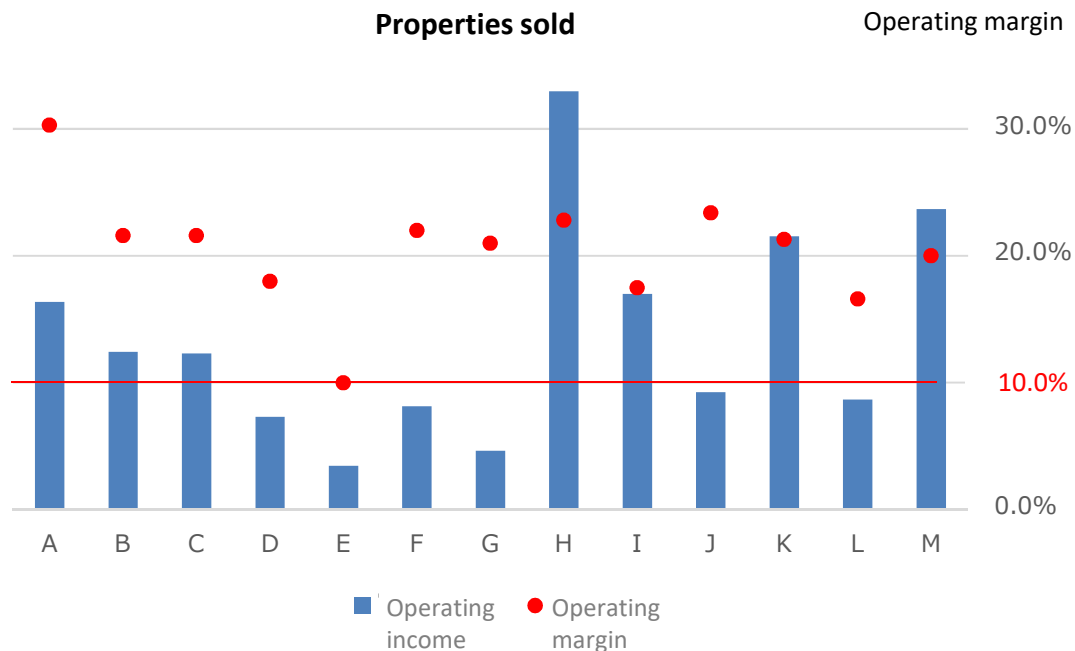
- We will continue to conduct the MF business as the core source of profit in the overseas business.
- We will develop housing only in areas where rents are rising every year, primarily in the innovation centers on the West Coast.

Pipeline

- Pre-construction: 4
- Under construction: 7
- Construction completed: 9

Key factors in our business strategy

- ① Thorough research
- ② Development in promising cities
- ③ Providing high value-added properties



Properties sold and results

- Sold 16 projects since the business began in 2013.
- Performance has been high. The highest operating income was approximately 10 billion yen, and the operating margin exceeded 30%.
- Operating margin has been 10% or more and 20% on average.

① Thorough research

- ## Example of surveys



3. Business Strategy

(1) Development business

② Development in promising cities

- We will execute projects with business partners in areas where there is strong demand and rents are expected to rise every year, primarily on the West Coast.

Investment policy

Good partnership

Strategically seizing opportunities

Product advantages

High value product lines

Excellent construction work and operation

Product advantages

Choosing markets that have barriers to entry

Urban, within walking distance

Good access to public transportation

Product advantages

Acquisition of α

Research by a third party

Market forecasts

Target customers

Projects to date

We independently assess each market in the United States in terms of living convenience, population growth, and other factors. Projects are implemented in highly ranked cities.

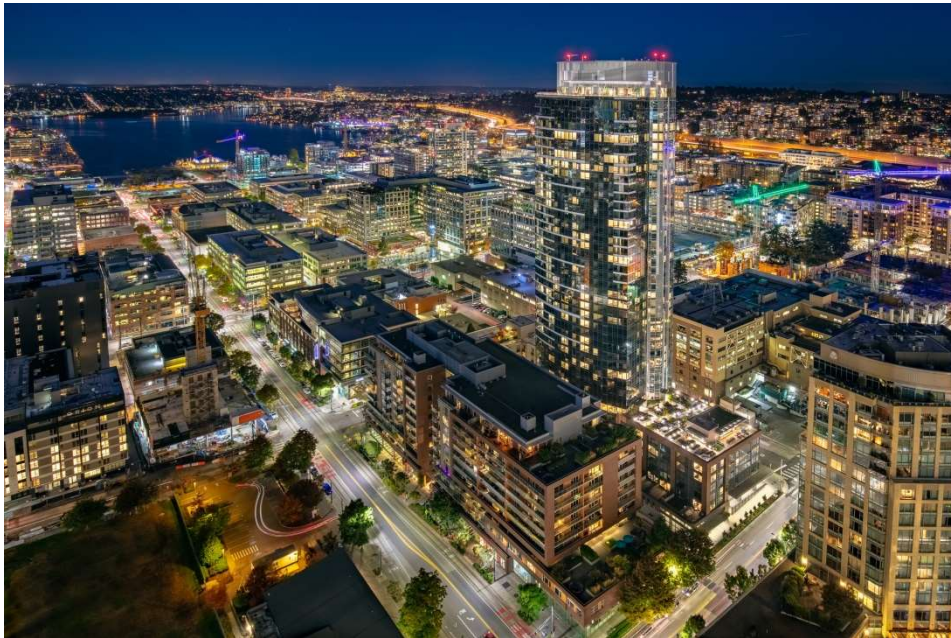
U.S.	
1 San Jose Sunnyvale Santa Clara	16 Los Angeles Long Beach
2 Seattle	17 Las Vegas Henderson Paradise
3 San Francisco Oakland	18 Orange County Anaheim
4 New York Newark Jersey City	19 Chicago Naperville Elgin
5 Washington Arlington Alexandria	20 Baltimore Columbia Township
6 Portland Vancouver Hillsboro	21 Miami Fort Lauderdale West Palm Beach
7 Riverside San Bernardino Ontario	22 Houston The Woodlands Sugar Land
RANK 1-1000	
8 Sacramento Roseville Arden Arcade	23 Charlotte Concord Gastonia
9 Boston Cambridge Newton	24 Orlando Wintergreen Sanford
10 Austin Round Rock	25 Philadelphia Camden Wilmington
11 Denver Aurora Lakewood	26 Atlanta Sandy Springs Roswell
12 Minneapolis St. Paul Bloomington	27 San Antonio New Braunfels
13 Dallas Fort Worth Arlington	28 Cincinnati
14 San Diego Carlsbad	29 St. Louis
15 Phoenix Mesa Scottsdale	30 Detroit Warren Dearborn
	31 Tampa St. Petersburg Clearwater

3. Business Strategy

(1) Development business

③ Development of value-added quality properties

- Develop quality properties that are not overly affected by market cycles.
- Kiara, which was sold in 2020, earned stable rental revenue during the COVID-19 pandemic and achieved a sufficient operating margin.
- We are considering the long-term retention of high value-added properties that will contribute to stable earnings in the future.



Kiara (Seattle, Washington)

A large, 41-story 461-unit rental residential property in Seattle, Washington. The gross floor area for residential purposes is about 34,000 m². The gross floor area for commercial purposes is 1,000 m². In 2019, we received a 2019 Night of the Stars award (High-Rise Residential Development of the Year) from NAIOP, the National Association for Industrial and Office Properties, in Washington State. Even as the real estate market is experiencing a downturn during the COVID-19 pandemic, we secured sufficient profit and sold the property. We are considering the long-term retention of quality properties like this to remove earnings volatility in the future.



3. Business Strategy

(2) Homebuilding business

*DX: digital transformation
Business transformation using digital technology



- Entered the homebuilding market by making Woodside Homes a wholly subsidiary in 2017.
- Engage the homebuilding business in four states in the Western U.S.

FY2019 results

- Units contracted: 2,225
- Units closed: 2,038
- Average selling price: \$ 441,000

Key factors in our business strategy

- ① Changing the strategy from the price-oriented sales strategy common in the United States to the customer-oriented strategy that is a strength of Sekisui House.
- ② Promoting thorough research and DX (digital transformation) *
- ③ Introducing lifestyle solutions to improve earnings
- ④ Reducing the time necessary for construction through synergies with Sekisui House

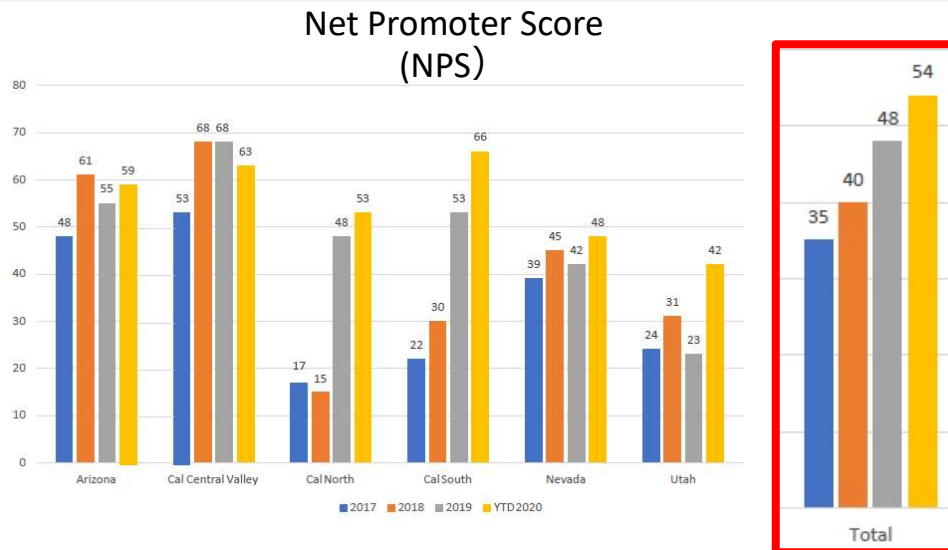


3. Business Strategy

(2) Homebuilding business

① The customer-oriented sales strategy

- We will change our strategy from a price-based sales strategy to a differentiation strategy leveraging the lifestyle solutions expertise we have developed.
- NPS has improved significantly, reflecting the enhancement of after-sales support and the proposal of options for the happiness of customers.



In 2017, the average of all branches was 35 points. In 2019, the average rose to 54 points.

NPS® (Net Promoter Score)

NPS is used at many companies as an indicator of customer loyalty (the amount of attachment and trust that consumers have in companies or brands). The higher the NPS® is, the higher the business growth rate of the company is.

Brand rankings

Woodside Homes was ranked fourth in the Lifestory Research 2019 America's Most Trusted ranking of homebuilder brands. In 2018, Woodside Homes placed outside of the published top 20. In 2019, our ranking rose significantly.

- 1st: Taylor Morrison
- 2nd: William Lyon
- 3rd: Toll Brothers
- 4th: Woodside Homes
- 5th: Brookfield



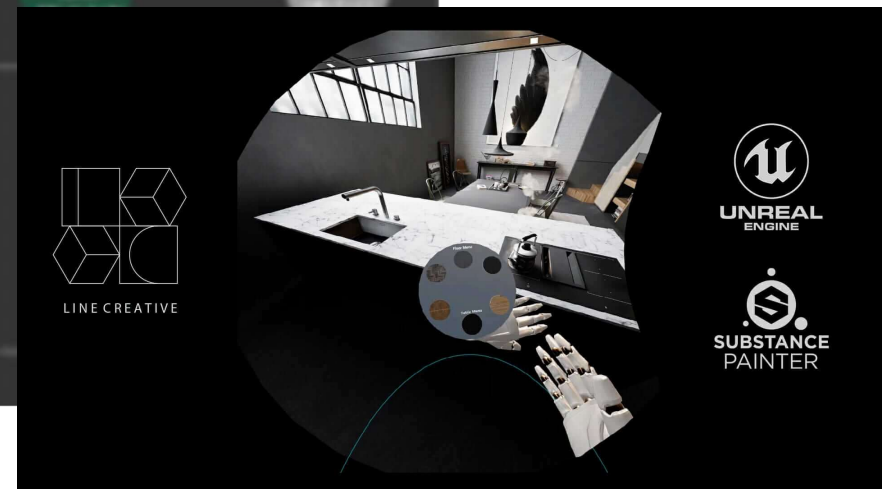
3. Business Strategy

(2) Homebuilding business

② Promoting thorough research and DX

- We will enhance marketing initiatives, including market research and customer analysis, and leverage this information in land acquisitions and planning. We will increase the probability of the success of businesses by developing grounded strategies and executing them.

Example of marketing research in the past



3. Business Strategy

(2) Homebuilding business

③ Introducing lifestyle solutions to improve earnings

- We will install the lifestyle solutions based on the expertise developed by Sekisui House as options.
- Accordingly, unit price will rise and gross margin will increase.

Example of options installed

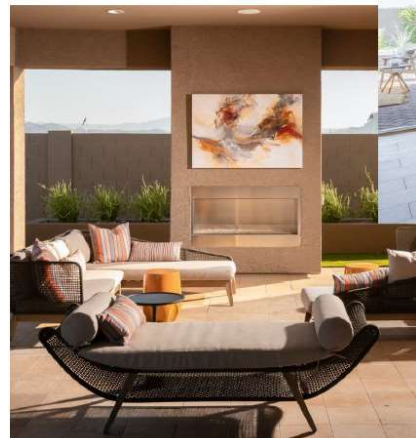
Work From Home



Luxurious Spa Master Bathrooms



Outdoor Living Areas



3. Business Strategy

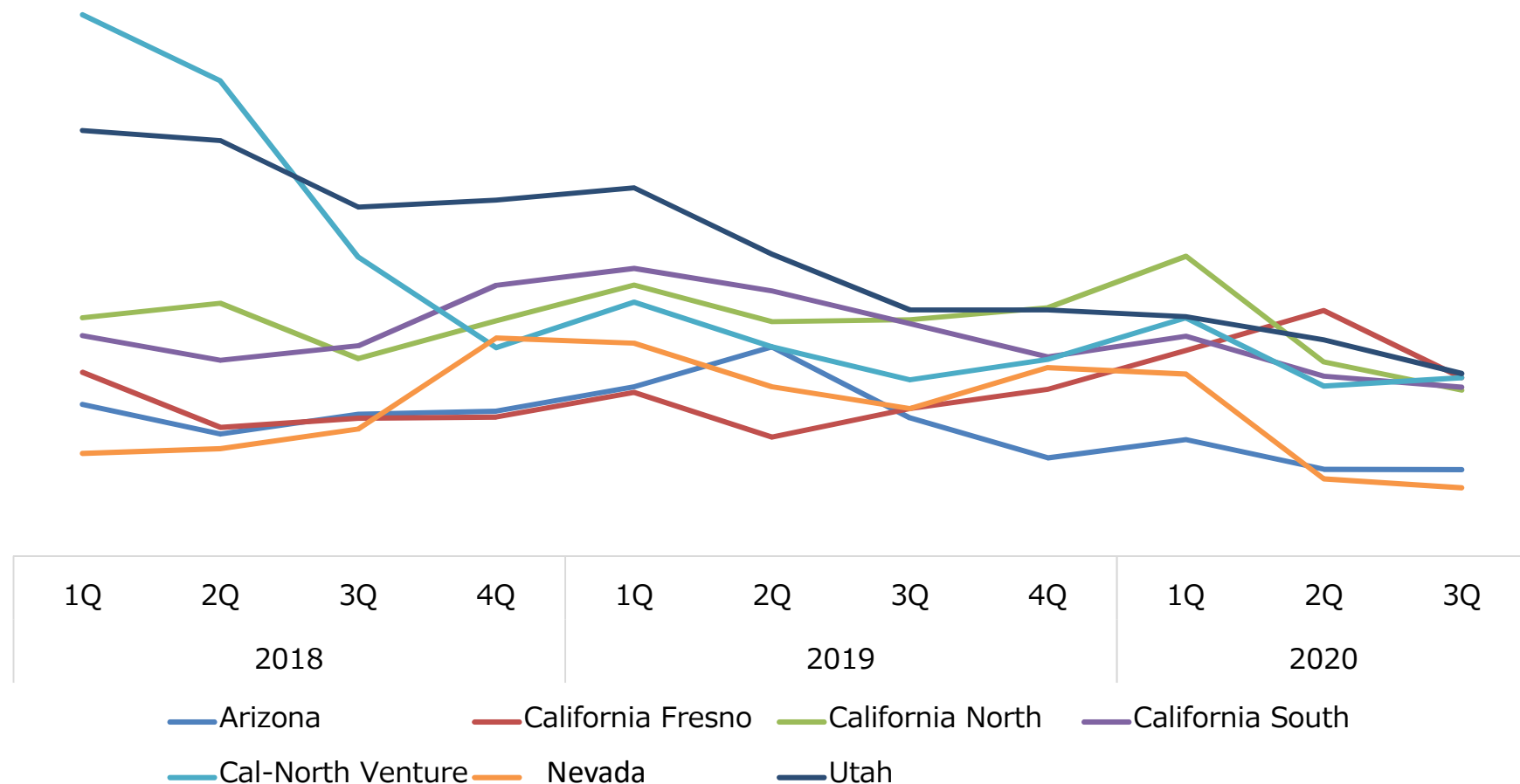
(2) Homebuilding business



④ Reducing the time necessary for construction through synergies

- Japan and the local staff members hold regular meetings together to increase the gross profit margin. We dispatch resident staff members and cooperate to manage construction to reduce the time necessary for construction. At certain branches where the initiative has achieved results, the construction period has been reduced and capital efficiency has improved.

Consistent shortening of average build time



3. Business Strategy

(3) Transfer of Sekisui House technologies -Exhibition at the IBS

- Joined the IBS, the International Builders' Show, in January 2020 as the first Japanese homebuilder.
- Constructed and exhibited SHAWOOD wooden-framed home, one of our mainstream products.
- The project drew significant attention and received considerable acclaim from visitors.

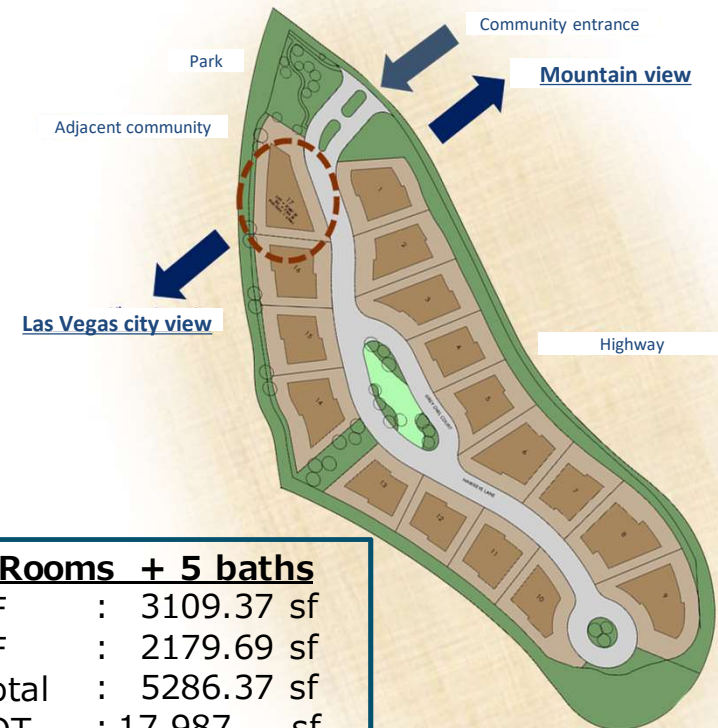


● Opinions from visitors

- "The appearance is amazing."
- "We want our home to have Bellburn earthenware exterior walls. It is a better buy than stucco, which you need to repaint once every ten years."
- "There aren't any housing products in America that are as earthquake and fire resistant as this. We should use this in California immediately."
- "Thanks to the clear view design, we feel the room is larger than it is."
- "The full-flat balcony is not standard even for luxury houses. I was amazed that there was no height difference between the floor of the rooms and the balconies and porches."



Bear's Best Las Vegas
Golf course



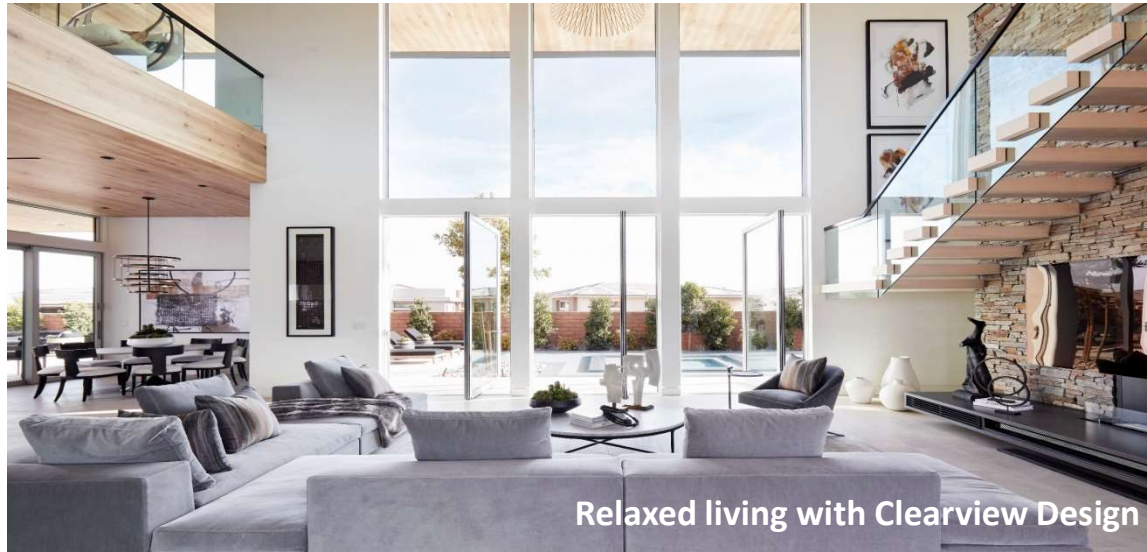
6 Rooms + 5 baths

1F	:	3109.37	sf
2F	:	2179.69	sf
Total	:	5286.37	sf
LOT	:	17,987	sf

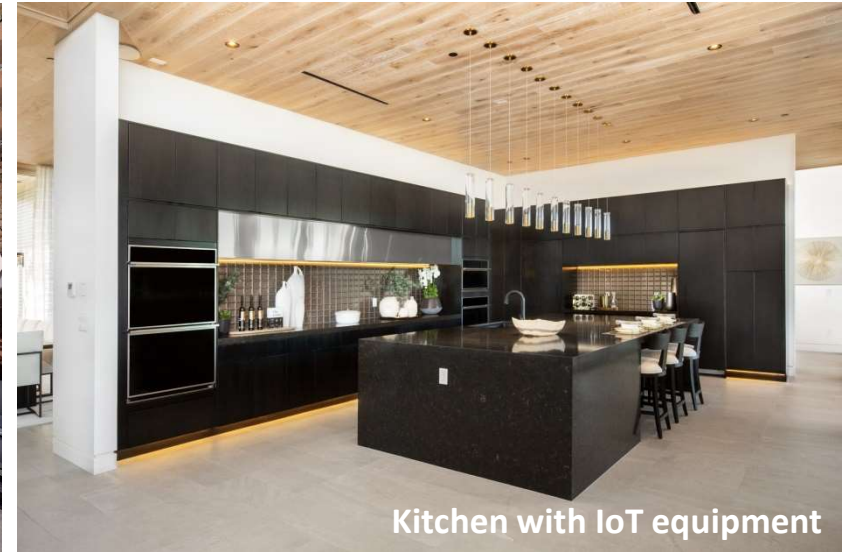
3. Business Strategy

(3) Transfer of Sekisui House technologies

-Exhibition at the IBS



Relaxed living with Clearview Design



Kitchen with IoT equipment



Full-flat balcony



ZEH net zero energy house with PV panels (20kw) and storage battery 8kw/h)

3. Business Strategy

(4) SHAWOOD business

① Launch pilot project

- Considering the praise we received at IBS, we have launched a pilot project in Las Vegas.
- We are seeking to certification similar to the type-approval available in Japan.

Project summary

- Building six SHAWOOD houses on lots nearby the original CHOWA House.
- Aiming to raise brand recognition through a pilot project which we will implement design, construction and sales of those SHAWOOD homes.
- Land area will be 1,100m² to 1,700m², and floor area will be 400m² to 500m².
- Construction to commence in May 2021.

SHAWOOD



Lot 12 (conceptual drawing)



Interior of Lot 12 (conceptual drawing)



Lot 13 (conceptual drawing)

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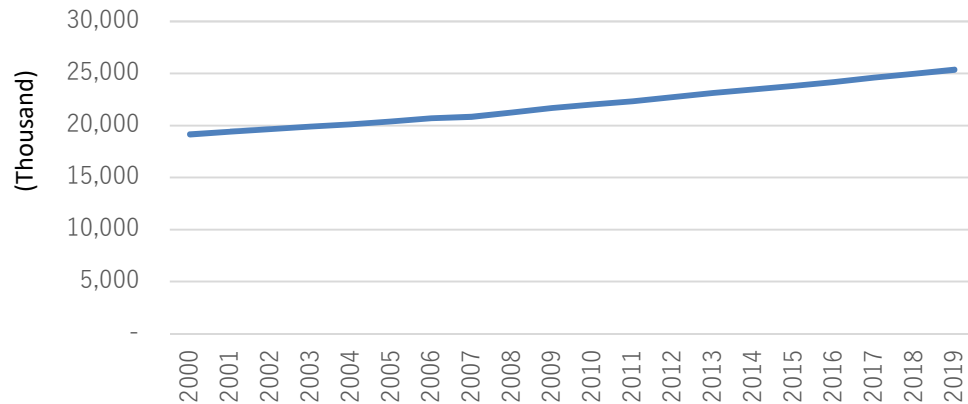
ii . Australia

iii . United Kingdom

1. Market Data

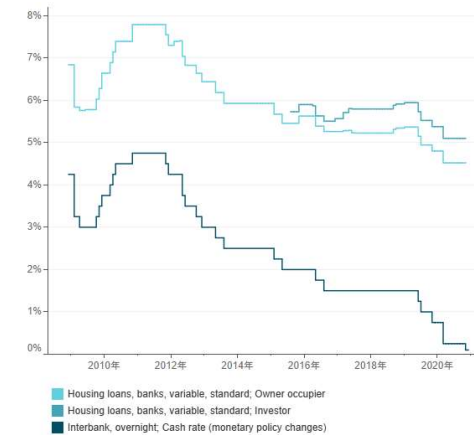
- Population is growing steadily. In Sydney, it is expected to grow from 5.31 million in 2019 to 6.40 million in 2027.
- Australia Federal Reserve Bank (RBA) lowered the policy interest rate to a record low of 0.10%.
- The number of dwellings approved is increasing steadily. Demand is expanding on the back of the Australian government's housing support measures during the COVID-19 pandemic.

Population



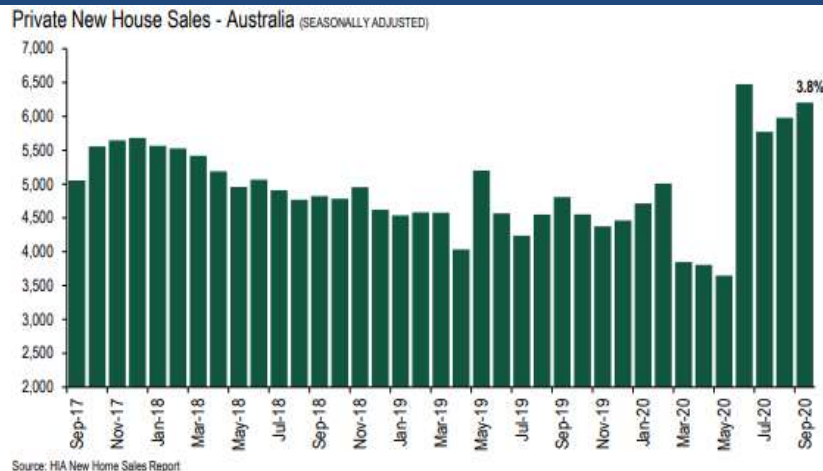
Source: Federal Reserve Bank of St. Louis

Mortgage rate



Source: Australian Institute of health and Welfare

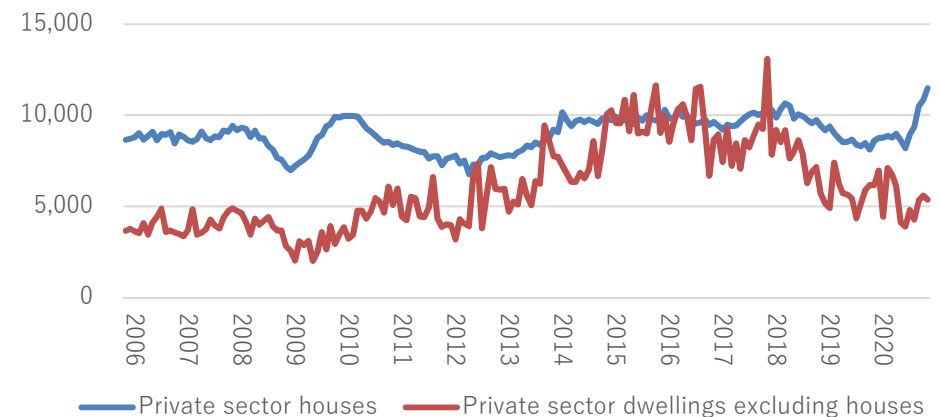
Private new house sales



Source: HIA New Home Sales Report

Source: Housing Industry Association

Dwellings approved



Source: Australian Bureau of Statistics

2. Market Characteristics

- Owner-occupier demand has been rising following the tightening of regulations for foreign investors in 2017.
- There are signs of the recovery of the housing market, which had been stagnant amid the COVID-19 pandemic, supported by the Reserve Bank of Australia (RBA)'s quantitative easing and the government's policy of support housing during the pandemic.

Tightened regulations on real estate investment and shift to owner-occupier demand

New loan commitments, total housing (seasonally adjusted), values, Australia



Source: Australian Bureau of Statistics

In 2017, the government tightened regulations to address the overheating real estate investment market. As a result, demand for real estate investment, mainly from Chinese nationals, fell significantly. Housing prices also fell, but owner-occupier demand increased.

Support for housing acquisition

HomeBuilder grant guidelines

revenue.nsw.gov.au/grants-schemes/homebuilder

On 29 November 2020, the Australian Government announced an extension to the HomeBuilder program to 31 March 2021, with a number of changes to the grant amount and eligibility criteria.

Key Dates

- **4 June 2020 – 31 December 2020** – enter into a contract between these dates to build a new home, substantially renovate an existing home or buy an off the plan home/new home to be eligible for the **\$25,000** grant
- **1 January 2021 – 31 March 2021** – enter into a contract between these dates to build a new home, substantially renovate an existing home or buy and off the plan home/new home to be eligible for the **\$15,000** grant
- 14 April 2021 – all applications, irrespective of when the eligible contract was signed, must be submitted within the HomeBuilder application portal by this date.

While applications must be submitted by 14 April 2021, it does not mean that all supporting documents must be uploaded by then. You can continue uploading your supporting documents, as they become available, beyond 14 April 2021

Source: Announcement of Australian government

On June 4, 2020, support for housing acquisition started. A \$25,000 subsidy (approximately ¥1.88 million*) is available for the purchase of a new house or the renovation of a home.

The government planned to end the subsidy program at the end of 2020. However, a \$15,000 subsidy (approximately ¥1.13 million*) will be made available until the end of March 2021. The motivation for individuals to purchase homes is rising. *1 Australian dollar = 75 yen

3. Business Strategy

(1) Development business

- In Sydney and Brisbane, we mainly develop houses for sale as well as retail and multi-use complexes.
- We will strengthen the governance of local companies and operate business in a more integrated manner.

FY2019 results

- Units contracted: 250

Key factors in business strategies

- Business continuity based on achievements

History of business in Australia and major awards

Since 2008, we have engaged in development mainly in Sydney and Brisbane for more than ten years. Sekisui House has won a number of awards and gained recognition as a developer.



Melrose Park, Sydney



3. Business Strategy

(1) Development business

① Projects

- Central Park and other properties have won a number of awards.
- The awards that have been received include international awards. We will accelerate the speed of the sale of condominiums, taking advantage of the high level of recognition that we have achieved.

Central Park



The project is a joint venture with Frasers Property. All phases were completed in 2018. More than 2,000 condominium units were provided. The office area is about 6,000 m² and the retail facility area is about 15,000 m².

The project aims to achieve sustainable urban development. It was recognized for innovations such as the green wall, a hanging garden and a huge reflection plate that shine lights into common areas, and in 2015, the building won a MIPIM Award in the Best Innovative Green Building category. Sekisui House became the first private corporation to win this award.

The property has received international awards for building and space development. It has been recognized as a global best practice both in name and reality.

West Village



The project is being executed by Sekisui House alone. It will be completed in 2023. Eight condominium buildings are being built with a total of about 1,250 units. The site area is about 26,000 m².

In 2020, the project won the President's Award, the best of the best award given to real estate projects in Australia by the Urban Development Institute of Australia (UDIA), Australia's largest real estate industry organization. At the same time, the project won the Marketing Excellence Award.

3. Business Strategy

(1) Development business

① Projects

- Developing along the Parramatta River.
- Sekisui House has gained recognition as a developer for the quality of its operations as well as the numerous awards it has won. We will leverage this recognition to promote business.

Sanctuary



A large-scale condominium project. The site area is 94,000 m². The condominium building includes about 2,000 units. To create a unique living environment, we collaborated with a variety of professionals to create a meticulous plan and worked out a design that considered economic, social and environmental sustainability. Surrounded by a nature reserve, the condominium building is located on the riverfront, which is rare in the Sydney area. The condominium units have different layouts that are designed to maximize tenants' ability to enjoy natural lighting, ventilation, connections, and the view. The tenants are able to enjoy both an urban life and a rich natural environment. They can live a new, quiet, convenient and healthy lifestyle.

Melrose Park



The site area is 3,000,000 m². The number of condominium units is 6,500. The scale of the development is larger than the properties around the condominium building. The large condominium property is attracting attention in New South Wales. Major workplaces and educational, recreation, community and other facilities are within 30 minutes of the property, which is strongly linked to the community and provides a good living environment.

3. Business Strategy

(2) Homebuilding business

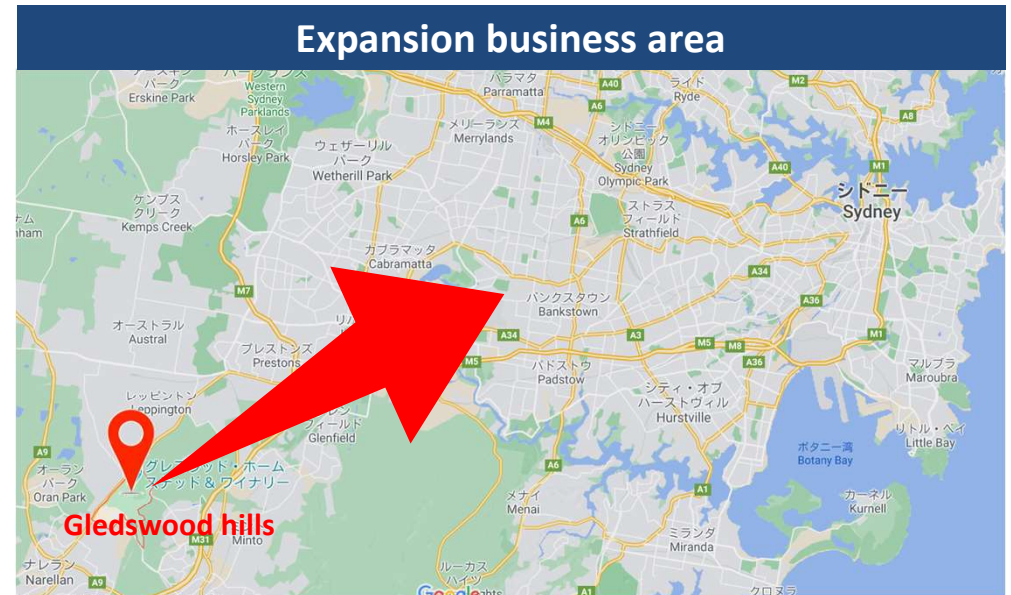
- We will popularize SHAWOOD prefabricated houses as a solution to increasing construction costs due to the shortages of skilled workers and housing.

**FY2019
results**

- Contracted units: 192

Key factors in business strategy

- ① Thorough research
- ② Promoting DX in the marketing



In Sydney's southwest, we have provided SHAWOOD homes in Gledswood Hills.

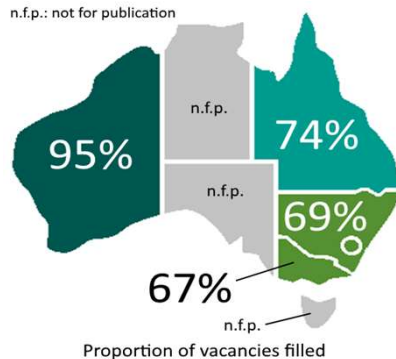
Sekisui House quality has earned us local fans. We will change our strategy to shift our focus from Gledswood Hills to the entire Greater Sydney urban area.

We will also leverage our expansion into the United States to make SHAWOOD a global brand.

3. Business Strategy

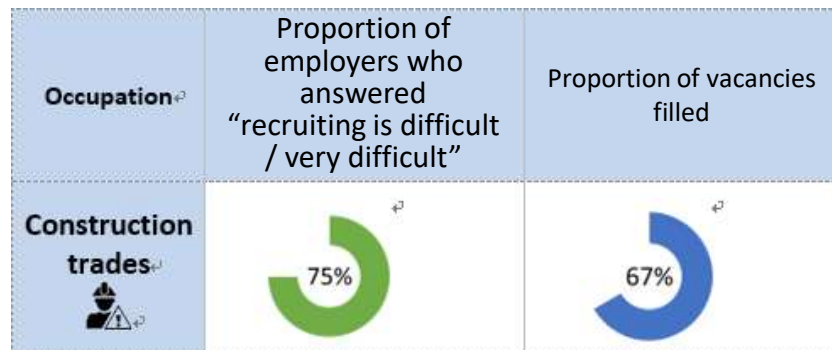
-- Pre-engineered houses as an alternative to the high cost of labor

Labor shortage



Source: Department of Education, Skills and Employment

The labor shortage is a social issue in Australia. Only 69% of job vacancies in New South Wales are being filled.

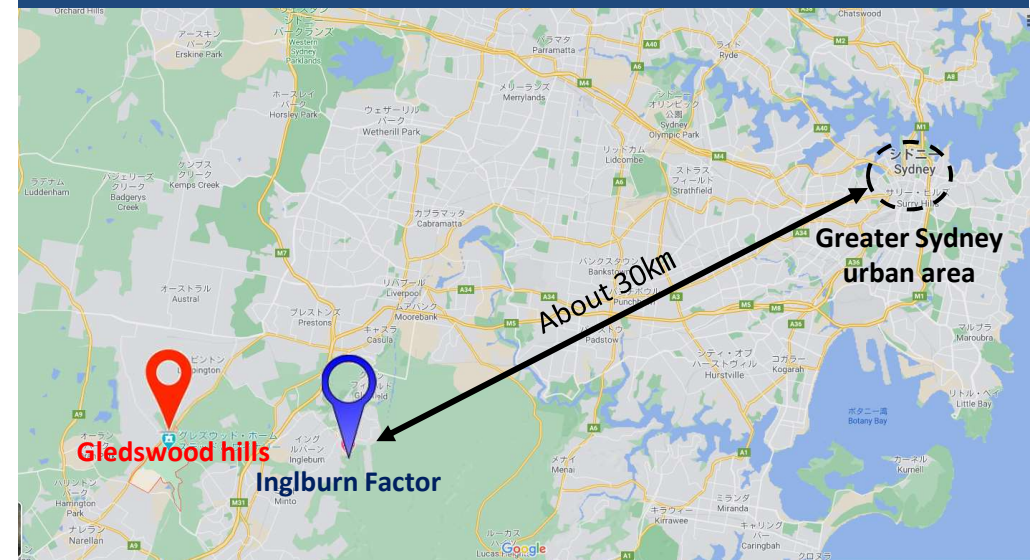


Source: Department of Education, Skills and Employment

Only 67% of the available jobs in the construction industry are getting filled. According to a survey, skilled workers in Australia retire at relatively younger ages than in other countries, and job vacancies are not filled. The size of the labor force is not sufficient making it difficult to maintain the quality of houses built using conventional construction methods.



Production at the local factory



Sekisui House has our own factory in Ingburn, close to Sydney. The factory manufactures components for SHAWOOD wooden-framed houses and enables the stable supply of high quality homes, just as in Japan.

If products are supplied to the entire Sydney area and supply increases, it will be possible to increase capital efficiency.

I . Summary of Overseas Business

II . The Fifth Mid-Term Management Plan

III . Strategy by Area

i . United States

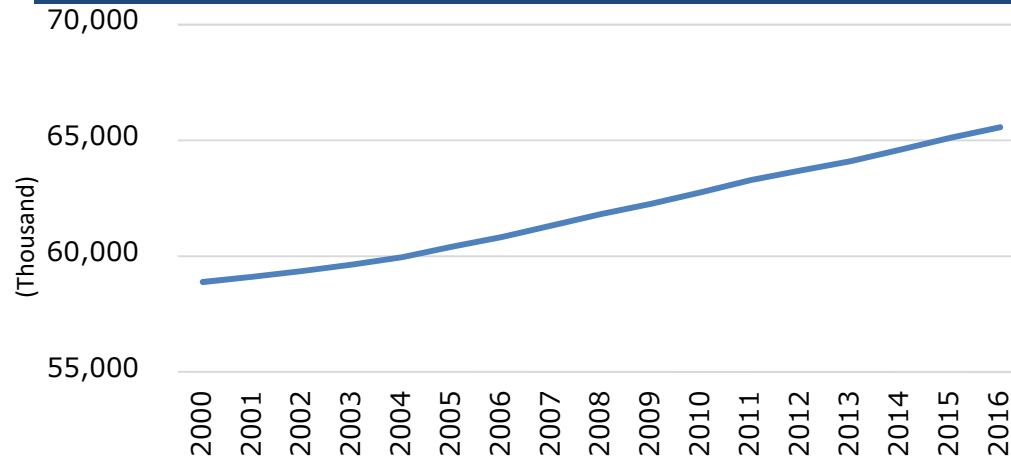
ii . Australia

iii . United Kingdom

1. Market Data

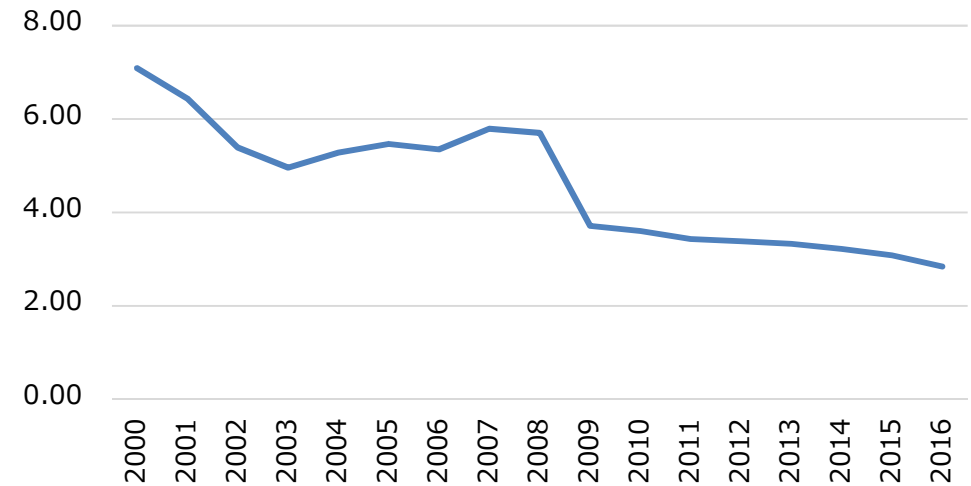
- Population is steadily growing.
- Due to the COVID-19 pandemic, the economy has cooled and mortgage rates remain at their lowest level.

Population



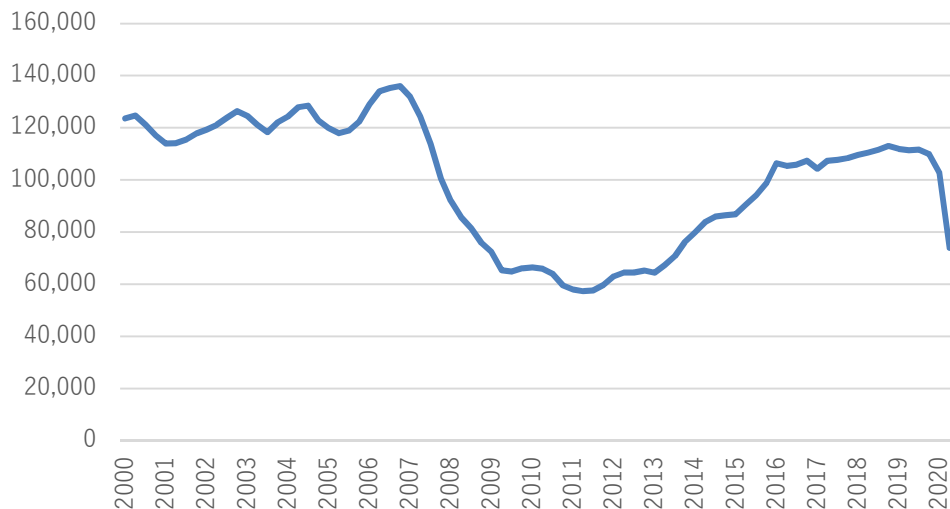
Source: Federal Reserve Bank of St. Louis

Mortgage rate



Source: Federal Reserve Bank of St. Louis

New house sales



Source: Office for National Statistics

2. Market Characteristics

- There is a chronic housing shortage. Due to the COVID-19 pandemic, housing demand is rising.
- The number of houses using materials shipped from factories and built with modern methods of construction (MMC) is increasing. We are able to differentiate ourselves from competitors using our expertise.

Governmental housing measures

GOV.UK

1. Home (<https://www.gov.uk/>)
2. Housing, local and community (<https://www.gov.uk/housing-local-and-community>)
3. Housing (<https://www.gov.uk/housing-local-and-community/housing>)

Speech:

Housing Minister's speech at Savills Annual Housing Seminar

Minister of State for Housing Rt Hon Christopher Pincher MP has spoken at Savills Annual Housing Seminar about the government's strategy for housing.

Published 23 November 2020

From:
Ministry of Housing, Communities & Local Government
(<https://www.gov.uk/government/organisations/ministry-of-housing-communities-and-local-government>) and The Rt Hon Christopher Pincher MP (<https://www.gov.uk/government/people/christopherpincher>)

Delivered on:
23 November 2020 (Transcript of the speech, exactly as it was delivered)



Source: U.K. Government's Website to report the speech of a congressman of the Ministry of Housing, Communities & Local Government.

'Build, Build, Build'

Because fundamentally we need to build more homes. More homes around the country in places that they are needed because demand is high, in places that they are needed because the level of stock is poor, in places that they are needed because we need to reimagine our town centres and our city centres as we emerge through the Covid epidemic.

We have travelled quite some way in the last 10 years. We have built hundreds of thousands of new homes – 241,000 in the last year alone before Covid struck.

But there is much more to do. Whether it be building new homes for people to buy or get a stake in through shared ownership, whether it be building more affordable homes for rent or socially rented homes – and our £12.2 billion affordable homes programme, the biggest cash injection to affordable homes since the 2006-2011 cycle is aimed to do just that.

MMC (Modern Method Construction)



The serious housing shortage draws attention to MMC, which makes a large supply possible. There are many MMC builders in the U.K., and we expect that the market will shift its focus from conventional brick construction methods in the U.K. to MMC.

3. Business Strategy

- We will provide a stable supply using MMC instead of conventional brick construction methods.
- We will expand supply, bringing high-quality design, a strength of Urban Splash House, to the fore.

**FY2019
results**

- Units closed: 40

Key factors in business strategy

- ① High-quality, modern design
- ② Business opportunities in Europe



Housing shortage

Since the 1980s, there has been a chronic housing shortage in the United Kingdom. It is said that there is pent-up demand for approximately 4 million units of housing, primarily from the middle class. We will provide stable supply using MMC in areas from the north to the London metropolitan area.

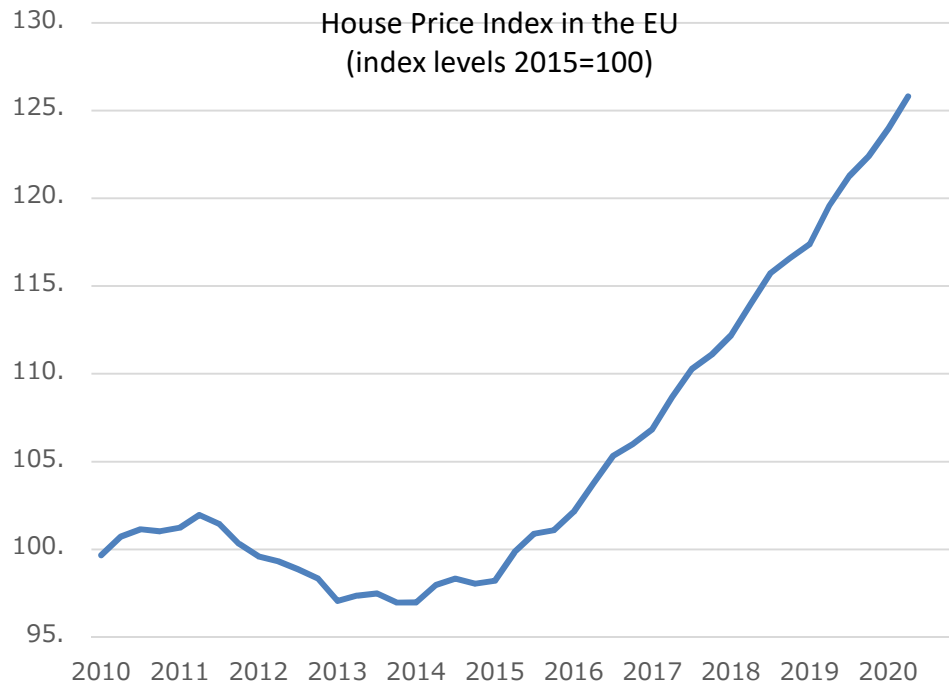


3. Business Strategy

② Business opportunities in Europe

- Housing demand is strong in the United Kingdom and in the whole of Europe, and supply is tight.
- Supply is limited chiefly due to a lack of skilled workers, and housing prices continue to rise.
- We intend to apply our MMC expertise in the U.K. to address social issues in Europe in the future.

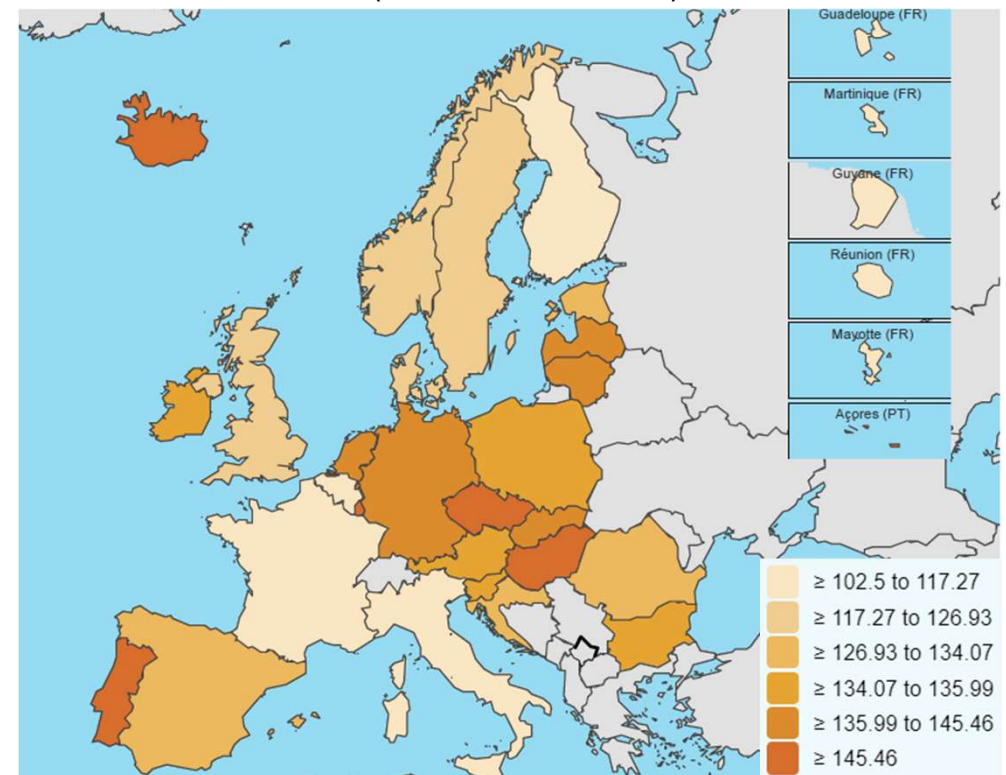
House price is rising.



Source: Eurostat


Since 2015, housing prices have been rising, reflecting strong housing demand and a lack of skilled workers. In many countries, a high percentage of households spend more than 40% of their take-home income on housing expenses. In Denmark, the percentage is 21.1% and it is 16.2% in Germany.

House Price Index in each euro country as of Q2 2020
(index levels 2015=100)



Source: Eurostat

Housing prices have risen significantly particularly in central Europe, and there is a shortage of affordable housing.

An aerial, high-angle photograph of a dense urban skyline, likely Toronto, featuring numerous skyscrapers and the CN Tower in the distance. The city is situated along a large body of water, with a bridge visible in the lower left. The image is overlaid with a semi-transparent text box.

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