Fifth Mid-Term Management Plan of Sekisui House Group (FY2020 - FY2022)

March 5, 2020 – Sekisui House Group announces that it has developed a mid-term management plan with the fiscal year ending January 31, 2023 as the final year.

Setting Deployment of growth strategies focused on the residential business domain as the management direction, Sekisui House has been promoting the basic policy for the fourth mid-term management plan (2017 – 2019) of Building the foundation for the residential-related business toward BEYOND 2020. As a result, the Company achieved record net sales and operating income in the fiscal year ended January 31, 2020, the final year of the fourth mid-term management plan.

The new plan assumes that the business environment, together with Japan's economic environment, will change dramatically amidst progressive global warming which has been leading to large-scale natural disasters worldwide, changes in the form of society in response to the super-aged society, growth of inbound tourism, and rapid lifestyle innovations through further advances in AI and the IoT.

In such a business environment, Sekisui House has set “Further strengthening core businesses and embarking on new businesses” as the basic direction of its fifth mid-term management plan, based on its global vision of “making home the happiest place in the world.” Under the Plan, the Group will not only promote the spread of high added value housing and living environments such as net zero energy housing (ZEH) but will also implement the Platform House Concept, which involves installing services focused on “health,” “connectedness” and “learning” in homes. At the same time, Sekisui House aims to actively branch out into the non-residential sector, including hotels and childcare centers designed and built using its original β system construction method which is originally used for mid-rise buildings. Meanwhile, the overseas business will also enter the next stage and make further headway towards sustainable growth.

In terms of financial policies, the Group will lay the strong financial foundations for the next 10 years and will strive sustainable improvement in corporate value by making investment in growth and strengthening shareholder returns. More specifically, the Group aims for continuous dividend growth, setting a medium-term target payout ratio of at least 40%, and will flexibly acquire treasury stock in a bid to improve shareholder value.

[Core Policy for the Fifth Mid-term Management Plan]
Further strengthening core businesses and embarking on new businesses
[Performance Targets]

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<tbody>
<tr>
<td>Net sales (Millions of yen)</td>
<td>2,585,000</td>
<td>2,578,000</td>
<td>2,700,000</td>
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<td>Operating income</td>
<td>206,000</td>
<td>210,000</td>
<td>220,000</td>
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<td>Net income attributable to owners of parent</td>
<td>137,000</td>
<td>138,000</td>
<td>147,000</td>
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<td>OP margin (%)</td>
<td>8.0%</td>
<td>8.1%</td>
<td>8.1%</td>
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<td>EPS (yen)</td>
<td>202.52</td>
<td>204.00</td>
<td>217.31</td>
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<td>ROE</td>
<td>10.6%</td>
<td>Stably generating the 10% and higher</td>
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<Built-to-Order Business>

In the Custom Detached Housing business, the Group will propose new added value such as the “Platform House Concept.” It will also continue implementing a high-quality and high-performance product strategy through initiatives such as the spread of Green First Zero net-zero-energy housing and the proposal of mid-class and high-end products with the Company’s original exterior walls. In addition, Sekisui House will propose new added value through the fusion of advanced technologies (technologies) with the research results (lifestyle design) of its Comprehensive Housing R&D Institute, which researches “happiness,” including the Family Suite model, which proposes the concept of a new kind of living room. The Group will also expand its product pricing brackets through the sale of a second brand by Sekisui House noie Limited.

In the Rental housing business and Architectural/Civil Engineering business, Sekisui House will further increase proposals of high-quality, hotel-like three or four-stories rental housing through area marketing focused on prime city center locations. The Group will also seek to expand its business domains by actively making proposals for effective utilization of corporate real estate and public real estate in addition to utilizing its original β system construction method (three or four-stories houses) in a wide range of applications, including hotels, medical care facilities and childcare centers. Furthermore, the Group will contribute to regional revitalization through the active rollout of Trip Base Michi-no-Eki Stations Project.

<Supplied Housing Business>

In the Remodeling business, the Group will seek to actively expand eco-friendly proposal-based remodeling. In the remodeling of Sekisui House detached houses, the three Sekisui house remodeling companies will carry out energy-saving renovations to keep pace with advances in insulation performance and the flexible remodeling of living space to meet the needs of family life. Meanwhile, in the remodeling of rental housing, the six Sekisui House Real Estate companies will provide consulting services for the stable management of rental housing through improvement of asset value and improvement of tenant satisfaction.

In the Real Estate Management Fees business, the Group will change the name of Sekiwa real estate companies to Sekisui House Real Estate companies to unify the Sekisui House brand and further strengthen the sublease and brokerage business. The Group will also aim to improve the asset value of
properties by maintaining high occupancy rates and improving the quality of management operations. At the same time, it will seek to strengthen the SumStock business and real estate brokerage business to meet the needs of the distribution market for existing housing, which is expected to expand further in the future.

**<Development Business>**

Sekisui House will seek stable management through improvement of asset turnover and the acquisition of prime land. It will strengthen strategic land purchases while aiming to make well-balanced investments and developing properties based on awareness of ROA. In the Houses for Sale business, the Group will select target areas and promote group-wide purchases to strengthen the sales of Sekisui House noie Limited. In the Condominiums business, Sekisui House will conduct development centered on Tokyo, Nagoya, Osaka and Fukuoka and will also apply the environmental strategies developed in its housing business to the Condominiums business and promote the expansion of ZEH condominiums. In the Urban Redevelopment business, the Group will increase asset turnover in a bid to generate profit and will also strive to establish a pipeline through the development of luxury hotels, offices and rental condominiums in urban areas to maintain a stable supply of properties to Sekisui House REIT, Inc.

**<Overseas Business>**

In the Overseas Business, Sekisui House will continue to expand the multi-family business, developing high quality rental housing mainly on the U.S. West Coast, where the IT industry is concentrated, and implementing exit strategies, and it will conduct development in carefully selected areas where the rents will rise each year. Meanwhile, the Group will expand the construction of detached houses incorporating Sekisui House technologies in the U.S., Australia and also the U.K., where it began operating last year. By fusing the architectural styles of each country with Sekisui House technologies, the Group will provide detached housing that is high quality in every respect in regions with a growing population and a shortage of housing and it will promote business with an eye on the future.

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