

**SEKISUI CHEMICAL CO., LTD.**



# Housing Business Briefing

**Masahide Yoshida**  
Director, Managing Executive Officer  
President of the Housing Company

September 2, 2024



# Agenda

1. Message from the President of the Housing Company
2. Overview of the Housing Company
3. Our Understanding of Current Challenges
4. Measures to Strengthen Profitability in the New Housing Construction Business
5. Overview of the Stock/Town and Community Development Businesses and Related Initiatives
6. ESG Contributions by the Housing Company
7. Long-term Vision

- We will strengthen profitability in the new housing construction business, secure a V-shaped recovery in the Housing Company's results, and return to a stable growth trajectory
- We will reform the business model in a bid to realize our Long-term Vision "Vision 2030"



**Masahide Yoshida**  
President of Housing Company

### Career Summary

- Apr. 1989    Joined the Company
- Apr. 2017    Executive Officer of the Company;  
President of SEKISUI HEIM CHUBU CO., LTD.
- Jan. 2020    Executive Officer of the Company;  
Head of the Housing Sales Division of Housing Company;  
President of TOKYO SEKISUI HEIM CO., LTD.
- Apr. 2022    Managing Executive Officer of the Company;  
Head of the Housing Business Division of the Housing  
Company;  
President of TOKYO SEKISUI HEIM CO., LTD.
- Jan. 2024    Managing Executive Officer of the Company;  
President of the Housing Company;  
Head of East Japan Sales Management Division of the  
Housing Company; President of TOKYO SEKISUI HEIM CO.,  
LTD.
- Jun. 2024    Director, Managing Executive Officer of the Company;  
President of the Housing Company

## Business Concept

Providing environmentally friendly housing for safe and comfortable living for at least 60 years

- Mar. 1947 SEKISUI SANGYO CO., LTD (currently SEKISUI CHEMICAL CO., LTD.) was established under a plan to run a general plastics business
- Mar. 1960 Completed a prototype of Sekisui House Model A; established the housing division
- Aug. 1960 Separated SEKISUI CHEMICAL's housing division to establish SEKISUI HOUSE SANGYO CO., LTD. (currently SEKISUI HOUSE, LTD.)
- Jun. 1971 Launched the 1st edition of the steel-frame prefabricated modular house SEKISUI HEIM; full-scale entry into the housing business
- Mar. 1982 Launched the wooden-frame prefabricated modular house Two-U Home
- 1996 Full-scale entry into the renovation business (Fami S business)
- 1997 Commenced sales of houses equipped with solar power generation systems
- Sep.2009 First foray overseas; established a production and sales joint-venture company in Thailand
- 2018 Began the Town and Community Development Business
- Mar. 2024 Cumulative housing sales stood at 668,690 units as of March 31, 2024

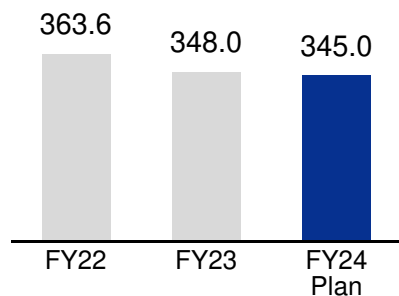


■ Business expansion centered on the housing and renovation sub-segments; other sub-segment mainly comprised of the real estate business

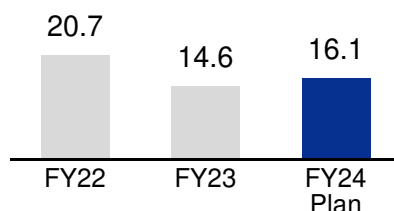
## Net Sales and Operating Profit (Billions of yen)

### Housing

#### Net Sales

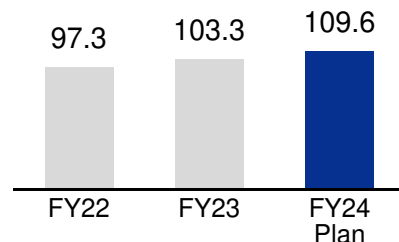


#### Operating Profit

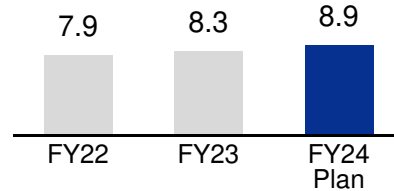


### Renovation

#### Net Sales



#### Operating Profit

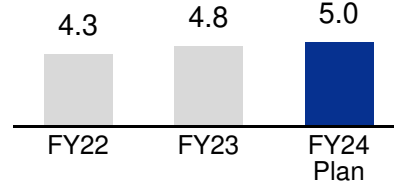


### Other

#### Net Sales

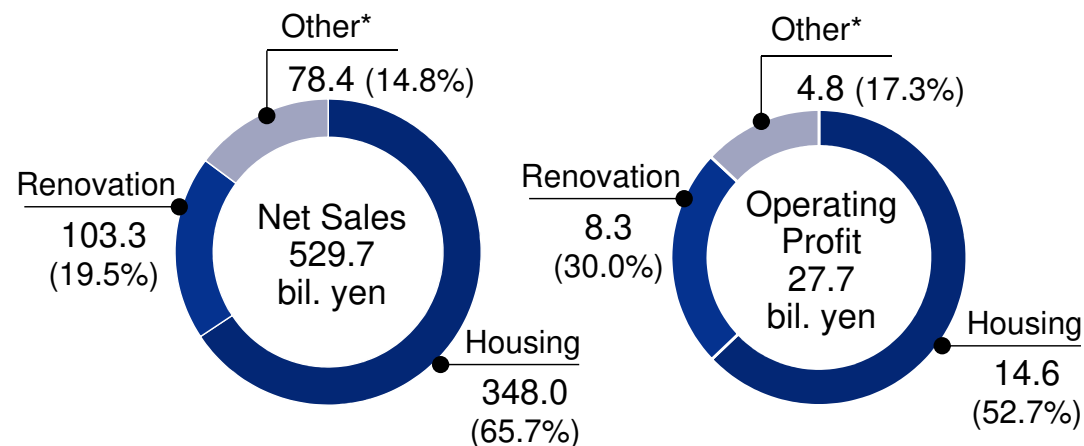


#### Operating Profit



## Composition (FY2023)

\* Other: Real Estate, Town and Community Development, Overseas and others



\*Composition in parentheses

## Data (FY2023) (Billions of yen)

Depreciation and amortization	11.6
Capital expenditures	10.2
EBITDA	39.7
R&D expenditures	3.4
Cash flows from operating activities	22.1
Cash flows from investing activities	-9.0
ROIC	11.3%

## Nationwide rollout of the production and sales structure

### Entire Housing Company

Number of employees: 11,024  
 Consolidated subsidiaries: 39  
 Equity method affiliate: 4

Housing Business: 6,980  
 Renovation Business: 3,282  
 Other Business: 762

### Real estate trading, leasing, and brokerage services: 4 companies

Tohoku Sekisui Heim Real Estate Co., Ltd.  
 Sekisui Heim Real Estate Co., Ltd.  
 Chushikoku Sekisui Heim Real Estate Co., Ltd.  
 Kyushu Sekisui Heim Real Estate Co., Ltd.

### New housing construction sales: 14 companies

Hokkaido Sekisui Heim Co., Ltd.  
 Sekisui Heim Tohoku Co., Ltd.  
 Tochigi Sekisui Heim Co., Ltd.  
 Gunma Sekisui Heim Co., Ltd.  
 Sekisui Heim Shinetsu Co., Ltd.  
 Tokyo Sekisui Heim Co., Ltd.  
 Sekisui Heim Chubu Co., Ltd.  
 Sekisui Heim Kinki Co., Ltd.  
 Sekisui Heim Chushikoku Co., Ltd.  
 Sekisui Heim Kyushu Co., Ltd.

Ibaraki Sekisui Heim Co., Ltd.\*  
 Sekisui Heim Tokai Co., Ltd.\*  
 Sekisui Heim Sanyo Co., Ltd.\*  
 Sekisui Heim Higashishikoku Co., Ltd.\*

\*: Equity method affiliate

### Production bases: 10 (\*\*Including 2 external wall bases)

Sekisui Heim Industry Co., Ltd.  
 Tokyo Office, Kanto Office,  
 Chubu Office, and Kinki Office

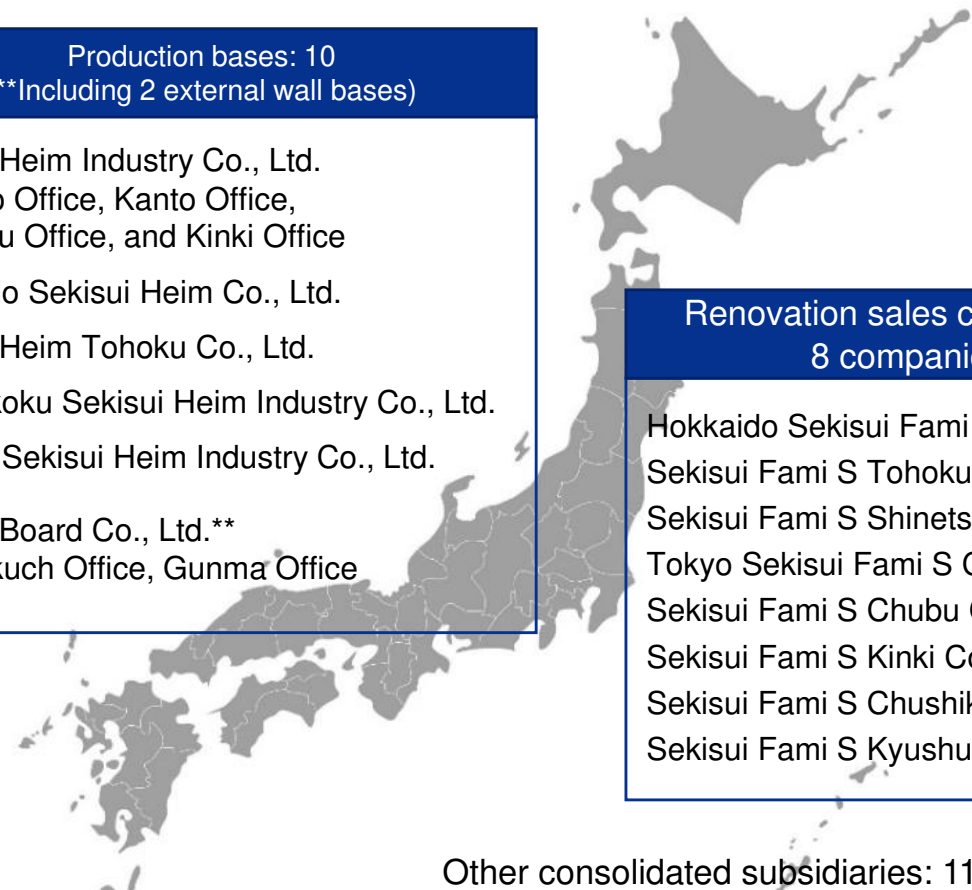
Hokkaido Sekisui Heim Co., Ltd.  
 Sekisui Heim Tohoku Co., Ltd.  
 Chushikoku Sekisui Heim Industry Co., Ltd.  
 Kyushu Sekisui Heim Industry Co., Ltd.

Sekisui Board Co., Ltd.\*\*  
 Minakuch Office, Gunma Office

### Renovation sales companies: 8 companies

Hokkaido Sekisui Fami S Co., Ltd.  
 Sekisui Fami S Tohoku Co., Ltd.  
 Sekisui Fami S Shinetsu Co., Ltd.  
 Tokyo Sekisui Fami S Co., Ltd.  
 Sekisui Fami S Chubu Co., Ltd.  
 Sekisui Fami S Kinki Co., Ltd.  
 Sekisui Fami S Chushikoku Co., Ltd.  
 Sekisui Fami S Kyushu Co., Ltd.

Other consolidated subsidiaries: 11

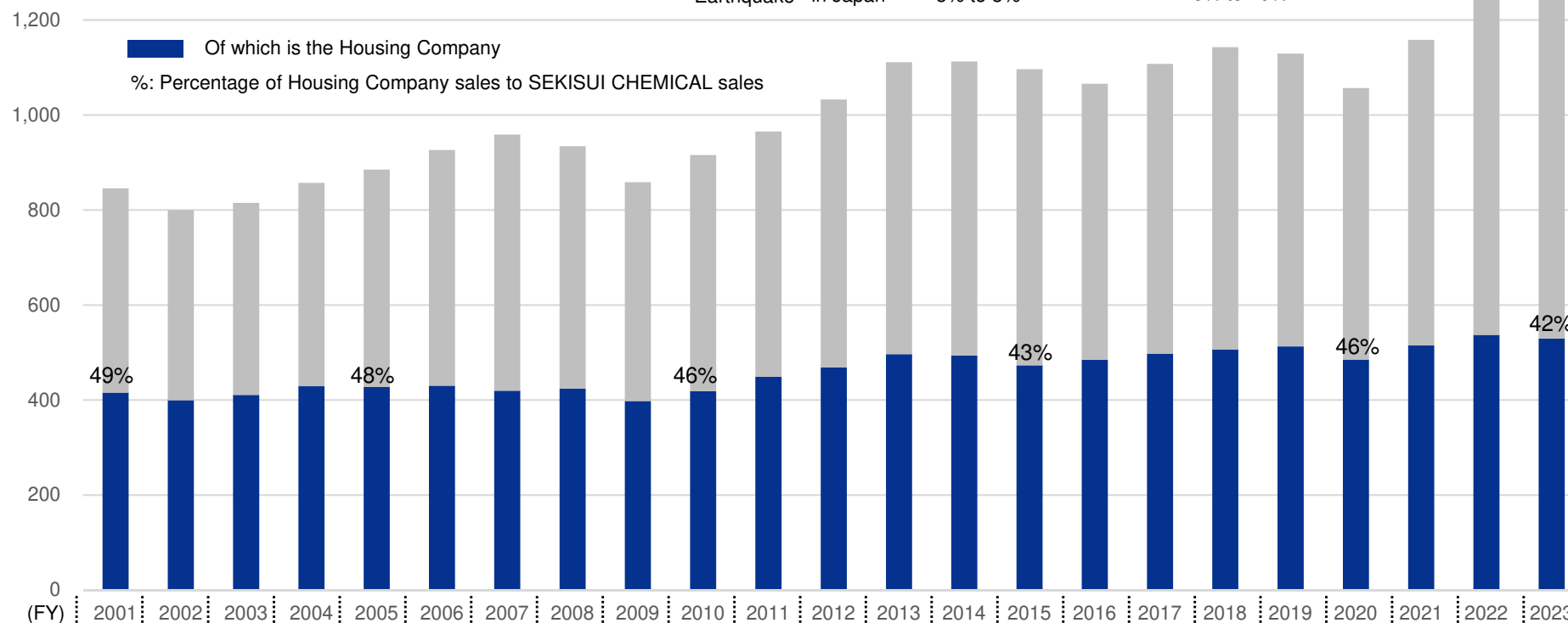


■ Stable trends in net sales; the percentage of Housing Company sales to SEKISUI CHEMICAL sales: 40-50%

## Net Sales (Billions of yen)

03/2011 Great East Japan Earthquake  
 07/2012 FIT(feed in tariff) system in Japan  
 04/2014 Consumption tax raised from 5% to 8%  
 04/2016 Kumamoto Earthquake  
 10/2019 Consumption tax raised from 8% to 10%  
 02/2020~ Spread of COVID-19

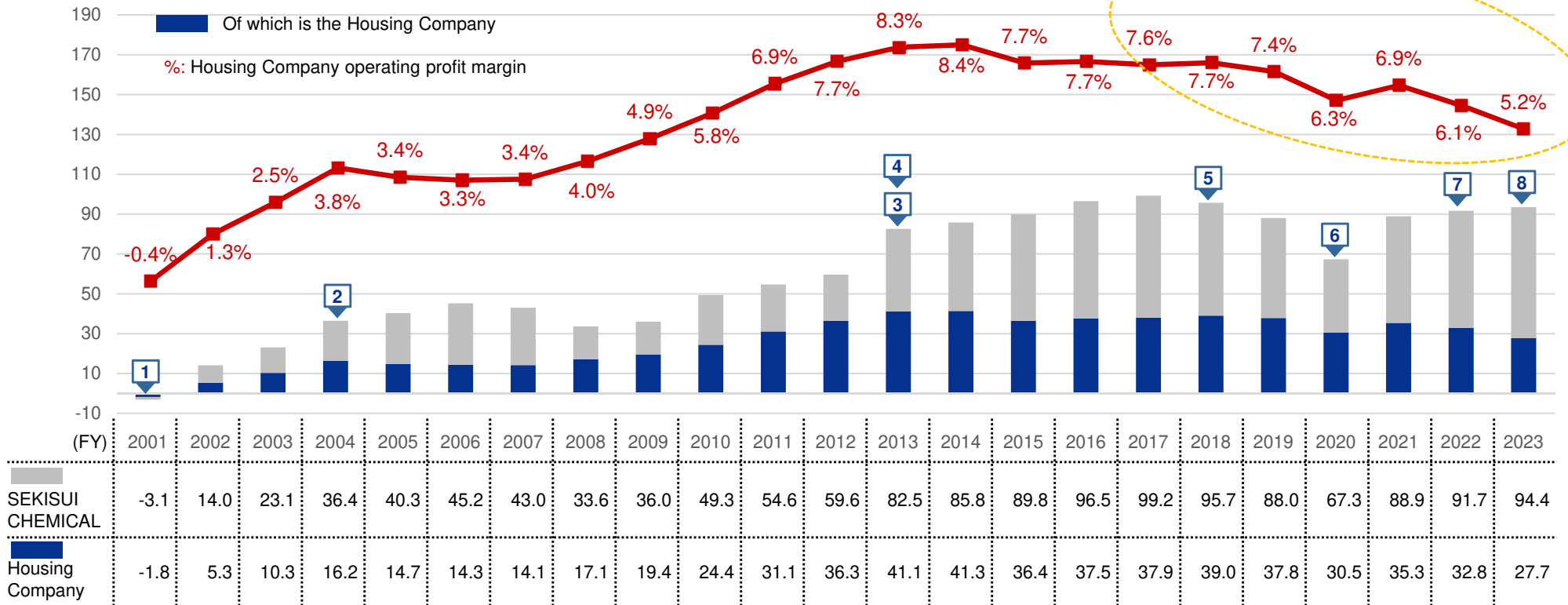
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SEKISUI CHEMICAL	845.5	799.7	814.9	856.9	885.1	926.2	958.7	934.2	858.5	915.5	965.1	1032.4	1110.9	1112.7	1096.3	1065.8	1107.4	1142.7	1129.3	1056.6	1157.9	1242.5	1256.5
Housing Company	415.9	399.9	410.9	429.2	427.6	430.5	412.0	424.5	398.2	418.7	449.4	469.0	496.8	494.1	473.4	485.0	497.8	506.7	512.9	485.3	515.2	537.4	529.7

Housing Company operating profit stalled after peaking in fiscal 2014; operating profit margin exhibiting a gradual downward trend

Operating Profit (Billions of yen)



1 2001

Introduced the Divisional Company System



2 2004

Launched the Grand To You brand of 2x6 wooden-frame unit houses designed to provide living comfort while reducing utility costs



3 2013

Opened a prefabricated modular house mass-production plant in line with full-scale entry in the housing business in Thailand



4 2013

Launched energy self-sufficient homes equipped with solar panels, HEMS, and storage batteries as standard features



5 2018

Commenced Town and Community Development Business operations; commenced the first stage of the Asaka Lead Town Project



6 2020

Launched the new BeHeim brand in a bid to strengthen purchase and resale activities

Purchase and resale of Heim  
**BeHEIM**

7 2022

Accelerated the push to DX in production and construction



8 2023

Optimized the production system for wooden-frame products





- Greater-than-expected abrupt changes in the business environment (external factors) and delays in implementing countermeasures (internal factors)

## External factors

### 1. Shrinking market for new detached houses

Accelerated contraction mainly in privately-owned homes post COVID-19

### 2. Soaring raw material costs (steel, wood, and various other materials)

Cost of sales per building up more than 15% (FY2020 → FY2023)

## Internal factors

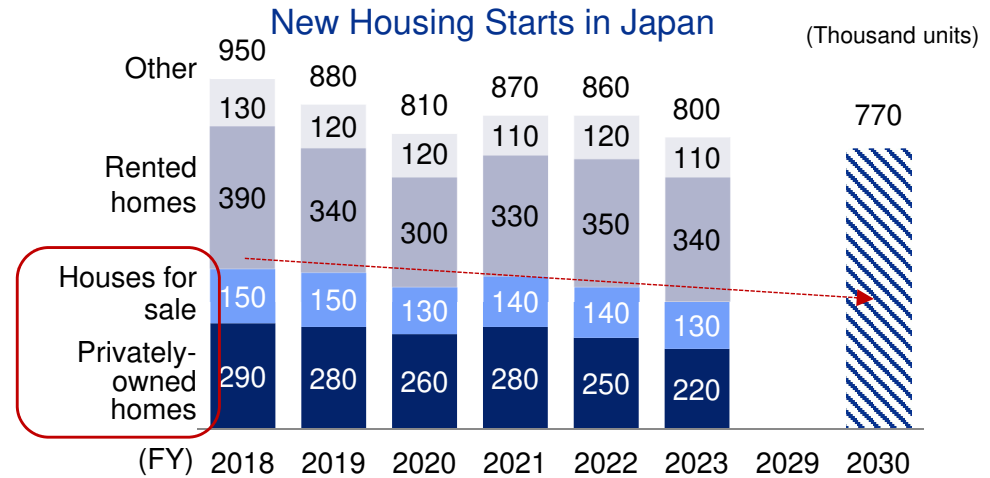
### 1. Delays in addressing changes in the business environment

- Area issues (regional and urban)
- Production capacity surplus

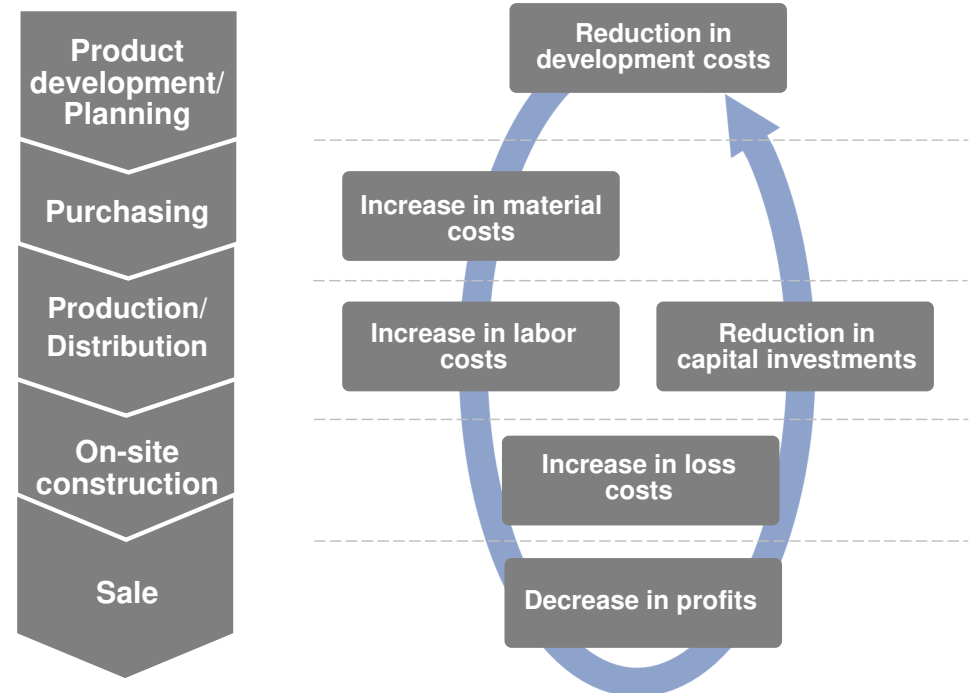
+

- Decrease in product competitiveness due to cutbacks in development expenses
- Delays in productivity improvements

→ From a structural vicious cycle (right diagram) to reduced balance



\* FY2030 forecast data from materials published by Nomura Research Institute, Ltd. on June 13, 2024.



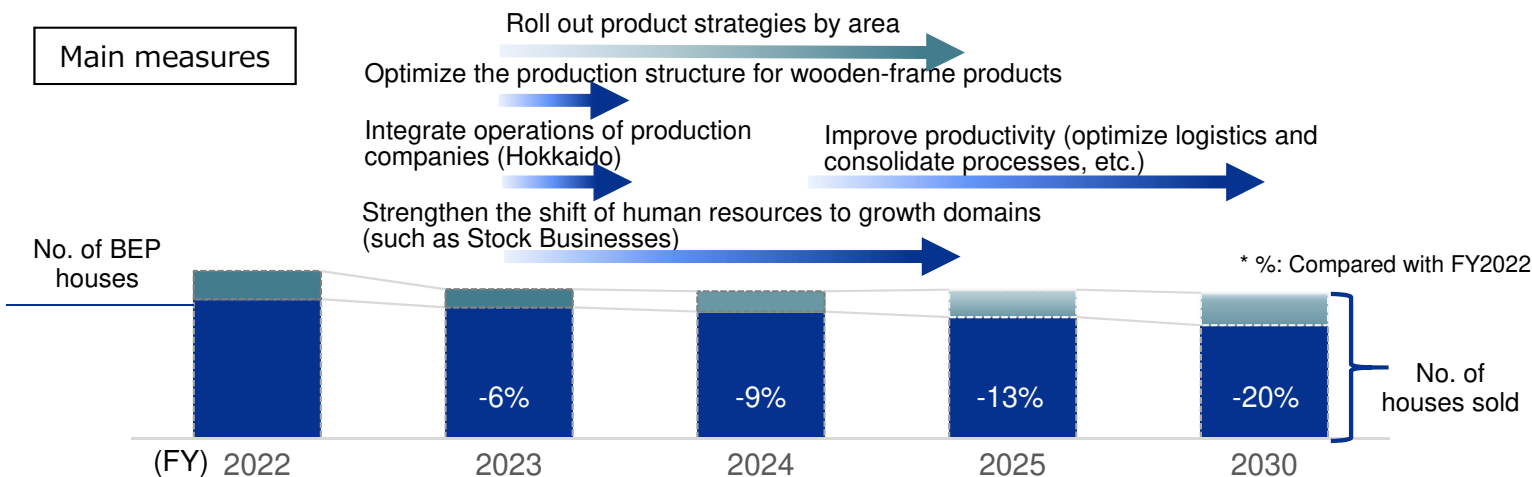
■ Taking into consideration our understanding of current challenges, we will fully promote measures aimed at strengthening profitability with a view to the medium to long term from the 2H of FY2023

## Overview of Measures to Strengthen Profitability

<Two Basic Measures>



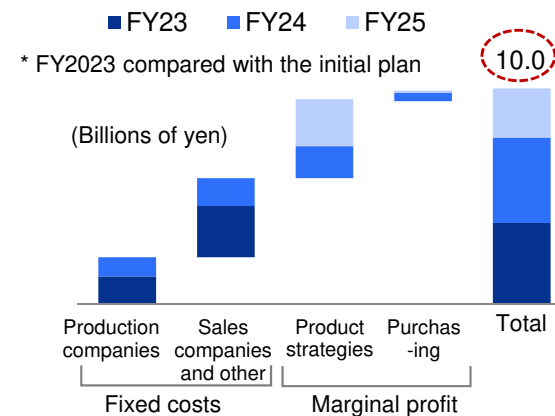
<Aim> Lower the break-even point number of houses and secure a constant and stable level of profit in the new housing construction business



<Initiatives>

Product development/Planning	<ul style="list-style-type: none"> <li>Product strategies by area</li> </ul>
Sale	<ul style="list-style-type: none"> <li>Shift in personnel from new housing construction / back office staff to other departments (+accelerate growth in other departments) ⇒ steady progress</li> </ul>
Production innovation	<ul style="list-style-type: none"> <li>Optimize the production structure ⇒ Partially implemented</li> <li>Integrate operations of production ⇒ Partially implemented</li> <li>Improve productivity</li> </ul>
Purchasing/Distribution	<ul style="list-style-type: none"> <li>Reduce the cost of sales</li> </ul>

<Effectiveness Targets>  
(Current medium-term plan)



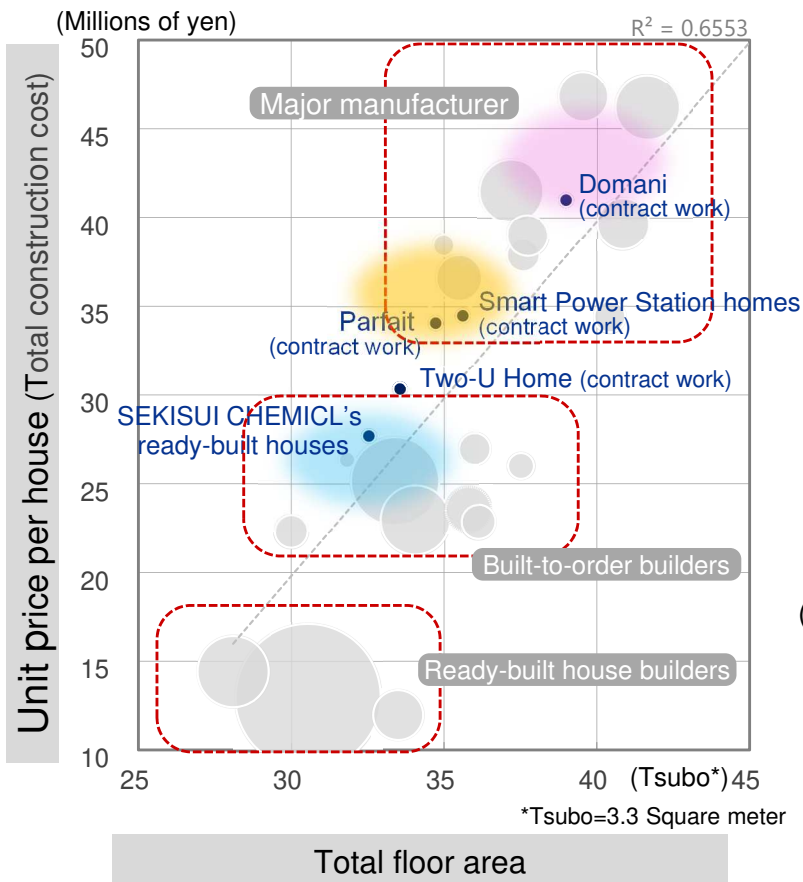
→ **Definitive progress**

- Implement product strategies by area; work to maintain the number of houses sold over the medium to long term (relative increase in market share)

### Sales Strategy Reform

#### Housing Manufacturer/Builder Positioning Map

Source: "Competitiveness Analysis of Housing Manufacturers,"  
"Product Competitiveness Analysis of Housing Manufacturers" (JSK)  
\* The size of the circle indicates the volume of houses sold by each company (excluding each product category of SEKISUI CHEMICAL)



#### Review Product and Sales Strategies

- Slowdown in previously promoted measures aimed at strengthening sales to first time buyers (ready-built houses) due to changes in the market environment
- Insufficient appeal in the high price range (including apartment buildings), especially in urban areas

#### Short-term initiatives

- ✓ Price strategy by area
- ✓ Design / high-added value (subdivision / 3-story products)

#### Medium- to long-term initiatives

- ✓ Optimize the product mix
  - high price, medium to low price, apartment building, etc.
  - ← Drastic productivity enhancement / construction method development

Strengthen the high price range

<Principal target> metropolitan area  
Introduce built-to-order products in the ¥40 million + range (high-added value x efforts to strengthen branding)



Desio (3-story)



Domani (steel-frame unit house)

Strengthen the mid-price range (base strategy)

<Principal target> core cities, other  
Introduce built-to-order products in the ¥30-¥35 million range (smart houses & resilience x cost performance)



Parfait (steel-frame unit house)

Strengthen the medium to low price range

<Principal target> core cities / regional cities / first time buyers  
Introduce ready-built house products in the ¥23-¥28 million range



Smart Power Station

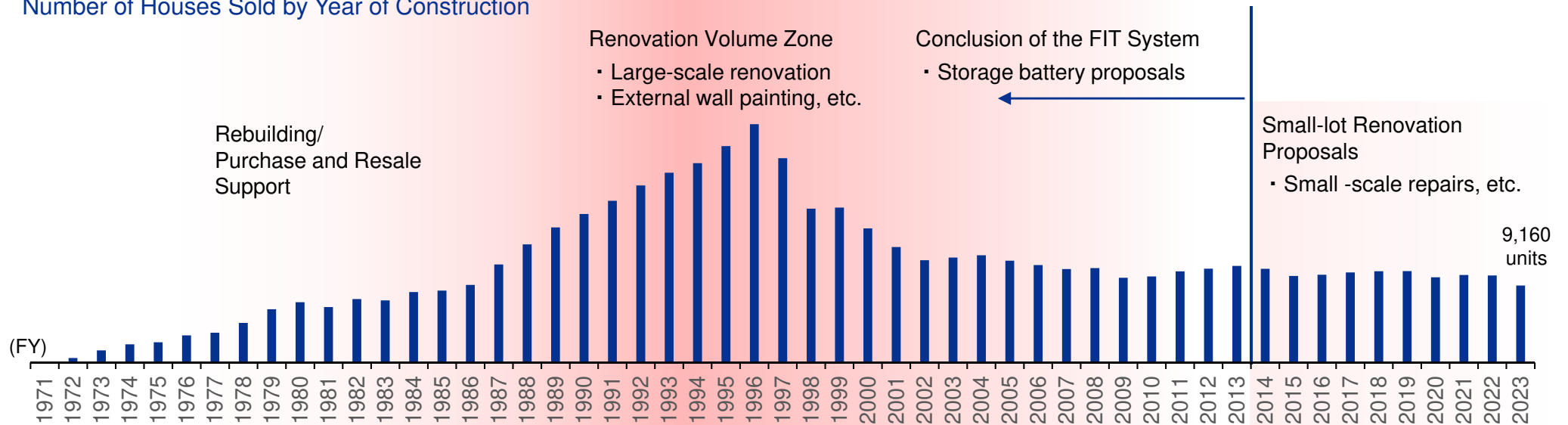


One-story Two-U Home (Wooden-framed house)

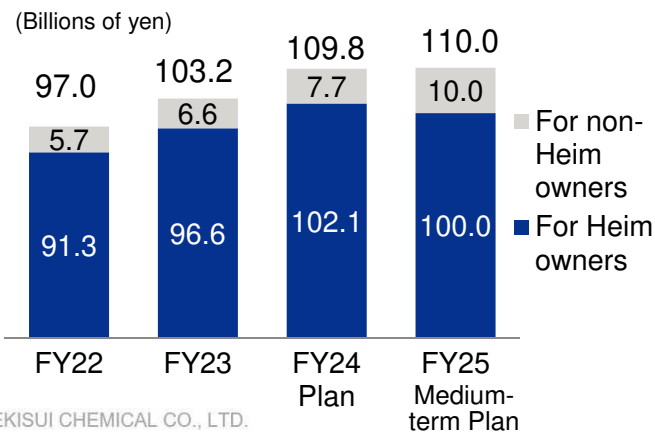
● SEKISUI CHEMICAL's positions by product in FY22

- Definitively capture post-construction demand by maintenance schedule and also focus on renovation for non-SEKISUI HEIM owners

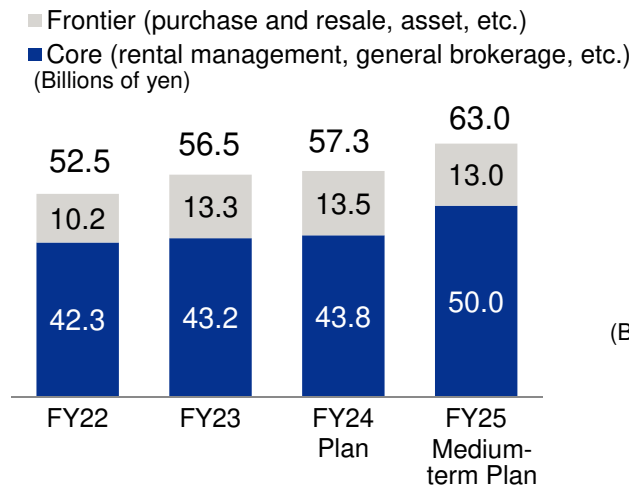
Number of Houses Sold by Year of Construction



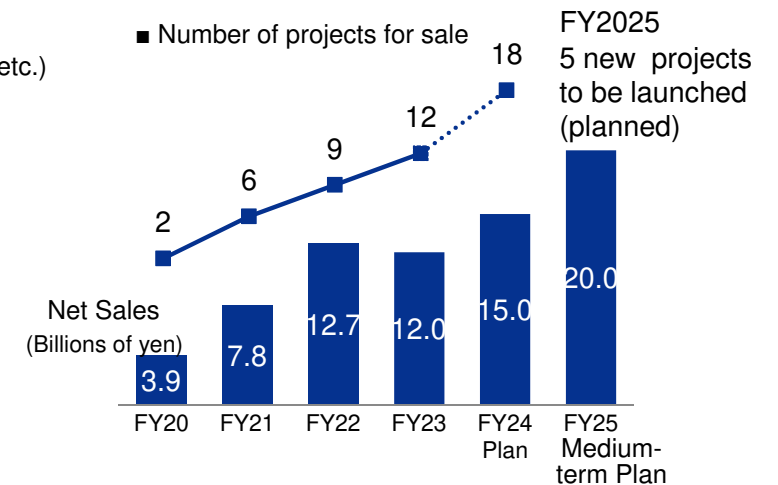
Orders by Renovation Product



Real Estate Business Sales



Town and Community Development Business Sales



- Actively allocate management resources mainly to frontier domains, promote fusion between businesses and external parties, and work to expand the size of business

## Growth Strategy of the Stock / Town and Community Development Businesses

\* Partially added to and updated Medium-term Management Plan materials (May 2023)

	Renovation	Real Estate	Town and Community Development
Core	<ul style="list-style-type: none"> <li>Renovation for Heim owners                             <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 10px;">Accelerate the shift of personnel from new housing</div> </li> <li>Strengthen the sales structure</li> <li>Strengthen high-value-added renovation (Smart and resilience, thermal insulation, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Rental management — Increase the number of dwellings under management                             <ul style="list-style-type: none"> <li>Increase points of customer contact</li> <li>Promote the inclusion of properties not currently managed</li> <li>Strengthen collaboration between the Real Estate and New Housing/Town &amp; Community Development businesses → Number of dwelling units (55,000: +5,000 vs. FY2022)</li> </ul> </li> </ul>	—
Common	<ul style="list-style-type: none"> <li>Strengthen the organization and personnel</li> <li>Strengthen customer relationship</li> <li>Explore M&amp;As and business alliances</li> </ul>		
Frontier	<ul style="list-style-type: none"> <li>Renovation for non-Heim owners                             <ul style="list-style-type: none"> <li>Strengthen brands, expand development areas</li> <li>Capital and business alliance with Renoveru, Inc.</li> </ul> </li> <li>Promote the creation of synergies between the Renovation and Real Estate (including purchase and resale)/Town &amp; Community Development businesses                             <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 10px;">Consider M&amp;As</div> </li> </ul> <p>→ Target a net sales scale of ¥10 billion</p>	<ul style="list-style-type: none"> <li>Purchase and resale of Heim/Asset utilization                             <ul style="list-style-type: none"> <li>Expand the BeHeim business (Expand into apartment buildings)</li> <li>Strengthen real estate held (Increase rental revenue and gain on sales)</li> </ul> </li> <li>Apartment building renovation                             <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 10px;">Measures in progress</div> </li> </ul>	<ul style="list-style-type: none"> <li>Manage progress of FY2025 sales projects (procurement completed)</li> <li>Undertake preparation for FY2025 and beyond                             <ul style="list-style-type: none"> <li>Increase the number of staff, cultivate channels</li> </ul> </li> <li>Search for new areas                             <ul style="list-style-type: none"> <li>Asset Business (coordination with the Real Estate Business)</li> </ul> </li> </ul>

## Products to Enhance Sustainability

SEKISUI CHEMICAL Group has positioned Products to Enhance Sustainability as the most appropriate conduit through which to realize both a sustainable society and the sustainable growth of the Group itself. Through the creation and expansion of Products to Enhance Sustainability, the Group aims to help achieve the SDGs while improving its contributions and ability to solve social issues as well as grow as a company.

### Major Products to Enhance Sustainability in Housing Company



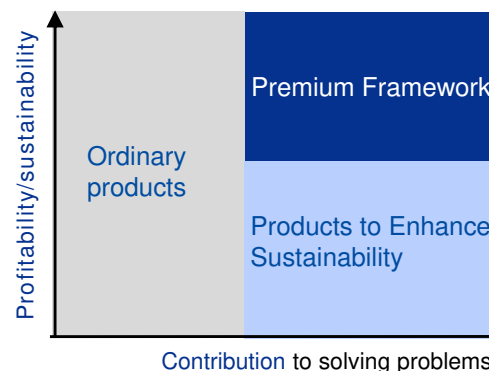
ZEH specification housing



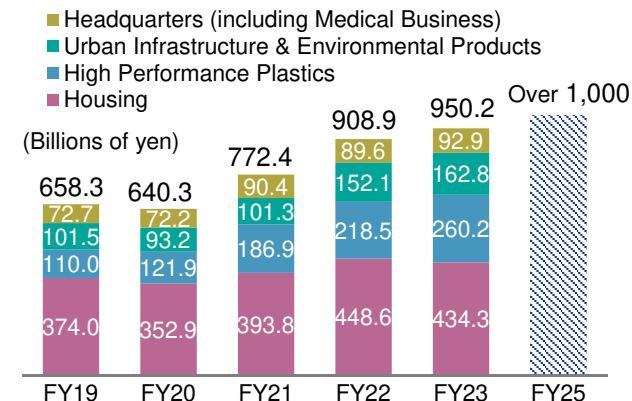
Purchase and resale of Heim



### Products to Enhance Sustainability Concept

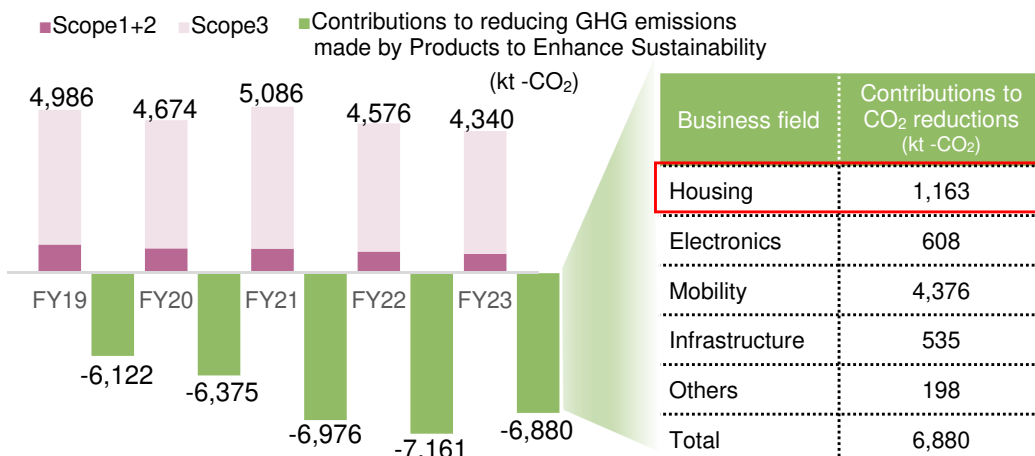


### Products to Enhance Sustainability Net Sales

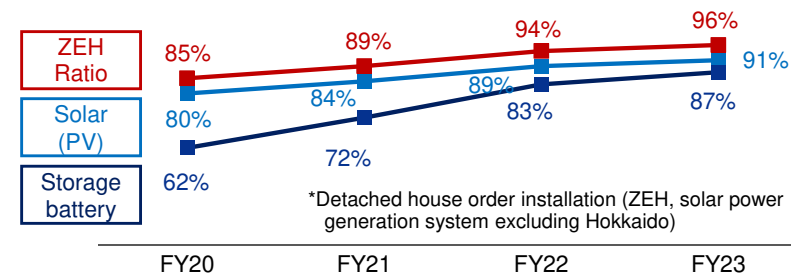


## Products of Housing Company that Reduce GHG Emissions and Contribute to Climate Change Mitigation

### GHG Emissions from Corporate Activities and Contributions to Reducing GHG Emissions Made by Products to Enhance Sustainability



\*1 \* Contributions to reducing GHG emissions made by Products to Enhance Sustainability are calculated using general-purpose products as a comparison, where the calculation indicates the contribution to reduction as the difference from comparison products given by MILCA (Japan Environmental Management Association for Industry), a calculation system based on the concept of LIME2.



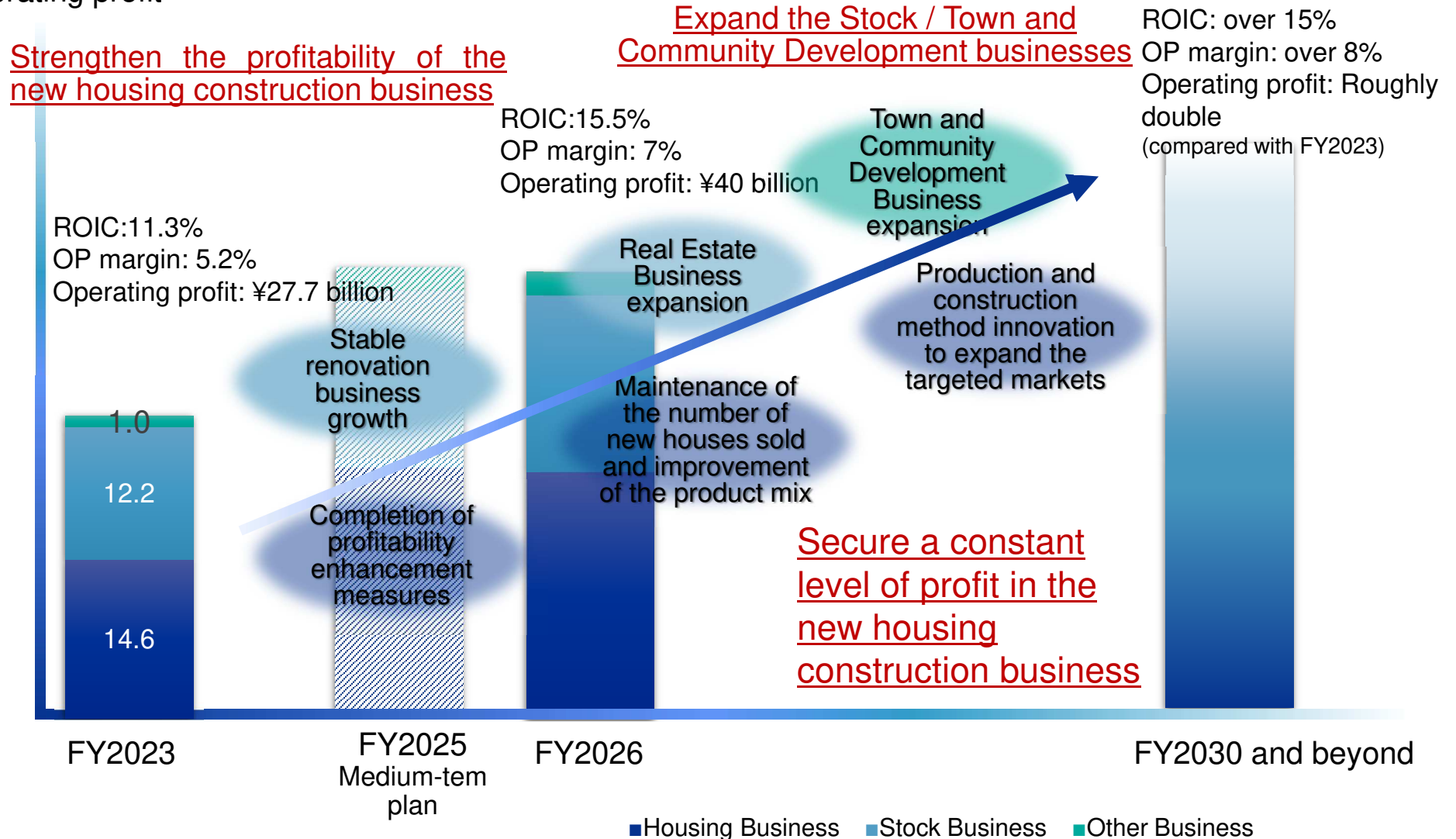
Reference: Company data	FY20	FY21	FY22	FY23
Installed solar panel area	360,000㎡	400,000㎡	428,000㎡	367,000㎡
Total installed solar panel capacity*2	50MW	60MW	60MW	55MW

\*2 Cumulative installed solar panel capacity now exceeds 1,300 MW. As a result, total annual electricity generation is equivalent to the electricity consumed by a city with a population of 500,000 people.

- Toward a comprehensive residential construction and real estate business with highly industrialized technology at its core

\* Targets for FY2026 and FY2030 are estimates

## Operating profit



This slide presentation contains forward-looking statements. These statements are based on current expectations and beliefs. However, actual results may differ from those expressed or implied due to a number of factors and uncertainties such as changes in the global economy and our business, competition in the market, and regulatory issues.

Note: Figures denominated in units of 100 million JPY are rounded off to the nearest hundred million.



**SEKISUI**