

Housing Company

Supporting people's peace of mind, safety, and comfort by providing high-performance residences and housing-related services

Business Overview

The Housing Company has established a unique position in Japan in new housing construction as a specialist in the Unit Construction Method, an advanced factory-built approach that enables short construction periods and delivers functions in accordance with design plans, and its cumulative sales of such residences exceeded 600,000 units as of the end of fiscal 2019. The Company was in particular an early mover in housing with solar-power generation systems, going back to 1997 when it first scaled up such initiatives. The Company achieved another milestone in April 2012 with the release of its Smart Heim models with standard features such as built-in storage batteries and the Smart Heim Navi Home Energy Management System (HEMS). Later, in April 2019, the Company put together a lineup that caters to a broader spectrum of customers by launching sales of its higher cost performance Smart Power Station Urban. In the Stock Business newly established from the current Medium-term Management Plan, we will work to maximize the value of the houses constructed by our company so far by merging together the housing renovation business and the real estate business, and realize more optimal proposals through the life stages of customers. We are also working to further develop our town and community development business, including the ASAKA Leadtown project, which combines the technologies of the Group.

Risks and Opportunities

The Housing Company identifies as risks the rise in production costs due to sharp increases in the prices of materials, the restricted business activities caused by the spread of an infectious disease such as COVID-19, the decline in the number of domestic housing starts due to the decrease in the number of households, and the shortage of workers at construction sites. Even under these circumstances, the company considers it an opportunity to leverage the benefits of its Unit Construction Method, which enables reduced construction processes and shortens the construction periods on site. The company aims to further increase its market share by increasing its focus on small detached houses for first-time buyers, where the rate of decline in housing starts is relatively small, by further fortifying its business structure by the optimization of manufacturing and other measures.



In-house production in progress inside the Housing Unit factory



Living room, dining room and kitchen renovation



The Smart Power station series is aimed at enabling energy self-sufficiency.



A large capacity solar power generation system



Town and community development for disaster mitigation



The housing production factory in Thailand



Toshiyuki Kamiyoshi

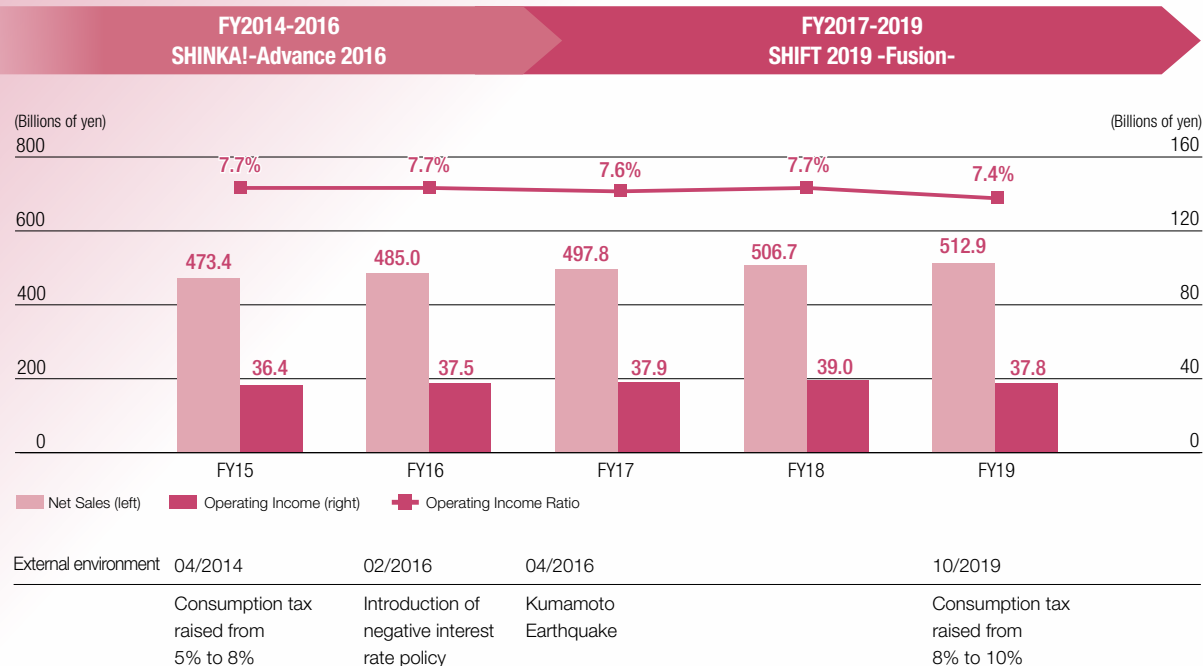
President of Housing Company

“The strong will” to secure growth and “ability to take action” are words that are dear to my heart. Without this strong will to grow, there can be no wisdom or ingenuity, much less the ability to act and succeed. The housing industry is experiencing a tremendous challenge with a hike in the consumption tax rate and COVID-19 pandemic. It is in times like these that each and every member of the Housing Company demonstrate their “strong will” and “ability to take action” and to continuously take up the challenge of securing growth going forward.

Housing Company

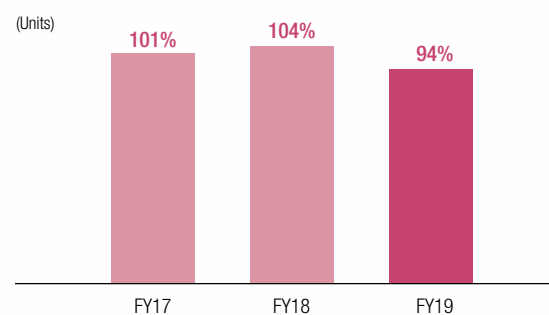
Performance Highlights and a Review of the Previous Medium-term Management Plan

Performance Highlights

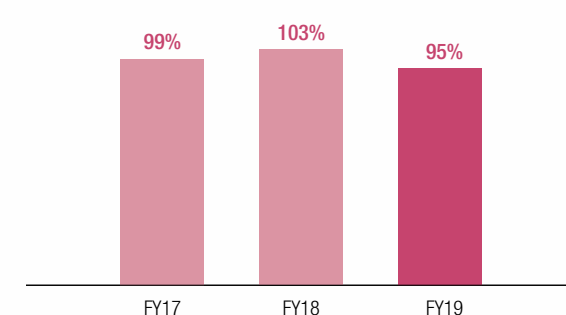


Under the previous medium-term management plan, operating income for fiscal 2019 totaled ¥37.8 billion, the first decrease in four years, but the Housing Company was able to raise the bar in terms of net sales, which came to ¥512.9 billion. With regard to orders, both new housing and renovation have returned to a growth trajectory after the negative correction due to the 2014 tax hike. However, in addition to the rising prices of raw materials such as steel, delays in the growth of renovation business as well as in the residential services and overseas businesses, and the fact that any increase attributable to M&A had yet to appear, in Fiscal 2019 the company fell short of the plan target due to the double impact of the consumption tax rate hike and COVID-19. Unable to make up for the shortfall, the company implemented profitability improvements along its entire supply chain as planned.

New Housing Orders*



Renovation Orders*



* %: YoY for FY2017 to FY2019

(Billions of yen)	FY15	FY16	FY17	FY18	FY19
Assets	265.5	277.8	283.3	315.2	331.8
ROIC					19.9%
EBITDA	44.5	46.5	47.4	48.5	47.4
Depreciation and Amortization	8.0	8.9	9.3	9.4	9.4
Capital Expenditures	14.4	13.5	14.4	17.8	15.0
R&D Expenditures	4.8	4.5	4.6	4.2	3.9
Number of employees	10,419	10,447	10,698	10,891	10,937
Consolidated Subsidiaries (Overseas Companies)	41 (1)	41 (1)	37 (1)	37 (1)	39 (1)

Housing Company

Medium-term Management Plan Drive 2022 (FY2020-2022)

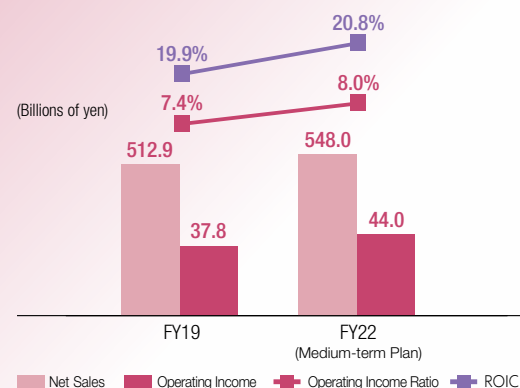
Residential

Supporting people's peace of mind, safety and comfort

 FY2030
 Net Sales Target **¥750–850 billion**

President's Policy

- Promote ESG Management in Housing by achieving both “customer value” and “business value”
- “Refinement of Core Domains” and “Challenge of Frontier Domains”



Having reorganized the business portfolio of the previous medium-term management plan into five new business portfolios in the new Medium-term Management Plan, the company will roll out growth and reform as “refinement of core domains” and preparations for long-term growth as “challenge in the frontier domains.” There are two major changes, the first being to integrate the existing renovation business and real estate business as a Stock Business, and move to a system that upgrades and strengthens Heim owner follow-up. The second point is that the company has positioned its town and community development business, which was launched in the previous medium-term management plan, as a new portfolio to be developed into a new business pillar in the years to come. Through these business activities, the Housing Company is aiming to increase net sales in Fiscal 2022 by ¥35.1 billion compared with Fiscal 2019, to ¥548.0 billion, and increase operating income by ¥6.2 billion.



Challenge of Frontier Domains



*Sekisui Design Works

Refinement of Core Domains

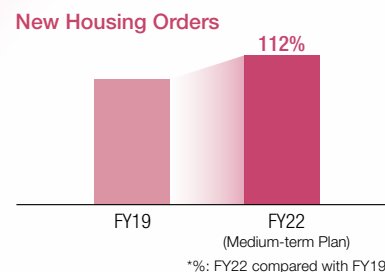


Growth Strategies for Each Business

Housing Business

(Billions of yen)	Net Sales	Operating Income
FY19	360.4	28.1
FY22(Medium-term Plan)	370.0	31.8

- Smart and Resilient Product Enhancements
- Realize “Maximization of mass production effects” × “Minimization of losses”

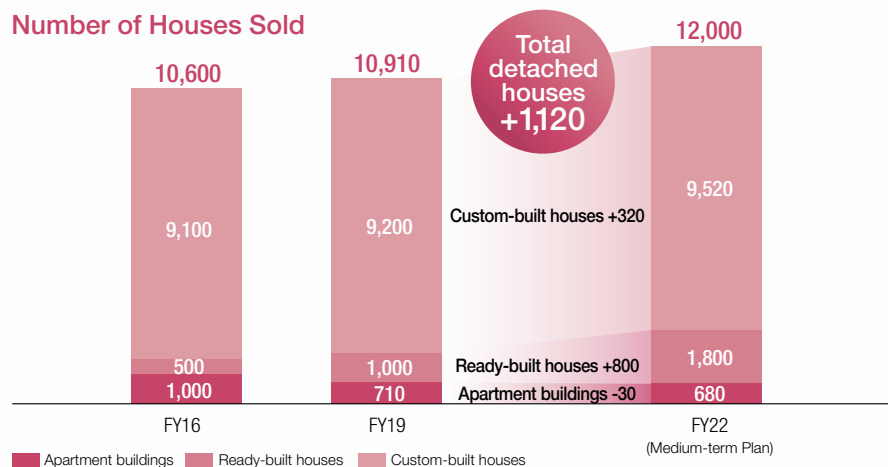


Housing Business Strategy

The company is aiming to concentrate resources on built-for-sale houses, where a stable market can be expected and the potential exists to harness the leveling effect of Sekisui Heim's Unit Construction Method, to capture volume zone markets.



Number of Houses Sold



Benefits of Industrialized Houses

Factory production ensures consistent quality (high earthquake resistance, airtightness, and heat insulation). Enabling short construction periods and reduced construction processes, factory production also assists in dealing with shortages of manpower at construction sites.



Smart Power Station homes equipped with three technologies (solar, storage batteries, HEMS) to realize energy self-sufficiency

Equipped with large-capacity solar power generation systems and storage batteries, connected to electric vehicles, and equipped with a drinking water storage system, Smart Power Station homes curb CO₂ emissions and, when lifelines are disrupted due to a natural disaster, enable the maintaining of life by providing power self-sufficiency and a ready supply of drinking water. Highly rated for having developed and popularized this “house that enables home evacuation,” the company was presented with the Minister of the Environment Prize at the Global Environment Awards.

Homes equipped with comfortable ventilation and air conditioning systems

By maintaining a consistent thermal environment throughout, these homes offer comfortable lifestyles with little temperature variation risk.* Their high ventilation performance will support people's peace of mind when staying at home even after the COVID-19 pandemic.

* Living environment risk that is a contributory factor to heat shock



Housing Company

Growth Strategies for Each Business

Stock Business (Renovation/Real Estate)

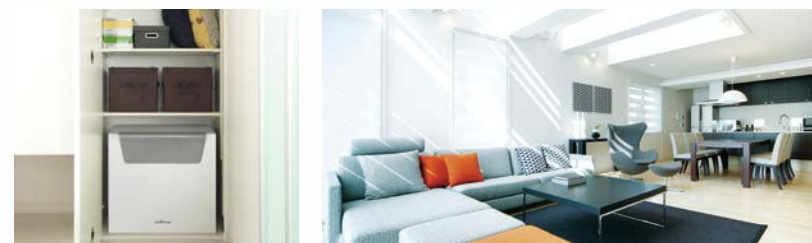
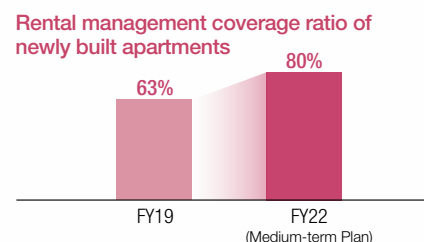
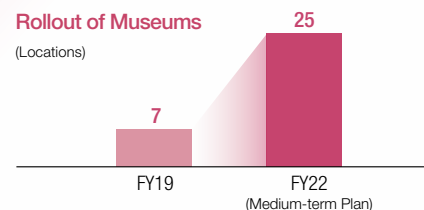
(Billions of yen)	Net Sales	Operating Income
FY19	142.5	10.3
FY22(Medium-term Plan)	158.0	12.0

Renovation

Strengthen contacts with customers (upgrade and expand periodic inspections)
Expand sales of such smart products as storage batteries

Real Estate

Increase the number of dwelling units under management (Tokyo, Nagoya, Osaka)



"e-Pocket" large capacity storage battery system that fits into a small space

Remodeling renovation

In the Stock Business, the company will further optimize proposals to its customers through the strengthened collaboration that will result from integrating renovation and real estate. Specifically, with a focus on our SEKISUI HEIM owners, we have rolled out experience-type showrooms (museums) nationwide and are proposing renovation projects in accordance with life stages backed by a long-term support system. We are also responding with our combined group strength to all needs in the real estate field, including brokering sales and purchases as well as the management of apartments and condominiums.

Residential Services/Overseas Businesses

(Billions of yen)	Net Sales	Operating Income
FY19	9.8	-0.1
FY22(Medium-term Plan)	11.0	0.3

Innovate business by utilizing digital technology

Enhancement of Thailand business profitability

Offering buildings and services to suit every life stage with a focus on the operation of facilities for the elderly, the company proposes safe and secure living environments even after retirement. We are aiming to further improve CS/ES by using sensors and other technologies. In the overseas business, we are planning to speed up sales expansion in the Thai housing market, centering on the sale of houses with land.



Housing with support services for the elderly



The housing production factory in Thailand

Town & Community Development Business

(Billions of yen)	Net Sales	Operating Income
FY19	0.2	-0.4
FY22(Medium-term Plan)	12.0	0.5

Resilient, complex type town and community development (Tokyo, Nagoya, Osaka)

SEKISUI CHEMICAL Group products and services, such as detached housing, our condominium brand HEIM SUITE and construction and building materials, are being extensively used, and we are also cooperating with local administrative bodies and other companies to promote safe, secure and environment-friendly sustainable towns that can assist in disaster mitigation and disaster response; towns that only the SEKISUI CHEMICAL Group can offer. We are planning five town and community development projects nationwide by 2022.



HEIM SUITE ASAKA condominium



Sapporo-Hiragishi Leadtown (Toyohira Ward, Sapporo)