



SEKISUI HOUSE

The 70th Interim Report

B U S I N E S S R E P O R T

2020.2.1 ▶ 2020.7.31



60th anniversary
Sekisui House is Stepping
into the Third-Phase.

Sekisui House celebrated its 60th anniversary on August 1.

A History of Creating Value

Sekisui House will continue to support ways of living, allowing people to adapt to changes in society by providing happy homes.

In the first phase, we provided safety and security through the provision of pre-engineered houses. In the second phase, we simultaneously achieved comfort and environmental performance to add value. In the third phase, which started in 2020, we are exploring the theme of happiness to create more value for residents in the era of the 100-year lifespan and to become a global company that offers integrated proposals of technologies, lifestyle design and services, based on the residential domain.

1960
Established as Sekisui House Sangyo Co., Ltd.

1960

For Safety & Security

First Phase 1960-1990

For Safety & Security

1961
Launched the original Model B that became a key model.



Sekisui House Model B, which incorporated progressive ideas such as the Universal Frame System, was the predecessor to subsequent models.

- Provided pre-engineered housing with a short construction timeframe during Japan's housing shortage
- Provided safety and security through houses that protect lives and property

1964
Introduced direct sales system and design-build construction system



Abolished the agency distribution system and established a new system to manage the entire process, from design to completion, including the after-sale service.

1987
Established the Company's first Customer Service Center



Unveiled its first Tokyo Customer Service Center, subsequently rolled out to other locations across Japan to improve after-sales service.

1990
Comprehensive Housing R&D Institute completed



Unveiled a full-scale R&D base in Kyoto, which also contained Nattoku Kobo Studio, an experience-based study facility open to the public, to develop the Japanese housing industry.

1990

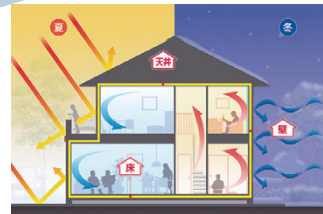
For Comfort & Sustainability

Second Phase 1990-2020

For Comfortability & Sustainability

- Addressed the issues of comfort and eco-friendliness with products such as ZEH and Airkis
- Provided mid- to high-end brands and high-value-added houses

2003
Standardized next-generation energy-saving specifications



Successfully met insulation, airtightness and ventilation standards.

2009
Launched the Green First eco-friendly house



Achieved comfort, economic efficiency and environmental considerations simultaneously.

2012
Opened the first Smart Town Community in Japan



Unveiled SMART COMMON CITY AKAISHIDAI in Miyagi Prefecture, which enabled the entire town to endorse energy saving and creation initiatives.

2014
Launched BERE0 PLUS for multipurpose use as residential, commercial, and rental units



β system broadened the possibilities of plots, allowing buildings to be used as rental or commercial units.

The Ritz-Carlton, Kyoto opened



A leading example of our urban redevelopment projects, which successfully produced an exterior design that is in harmony with the surrounding historic areas

2018
Launched Family Suite lifestyle proposal



New living room proposals that transcend the conventional living room, dining room and kitchen (LDK) configuration, based on a result of happiness research by the Human Life R&D Institute

2020

Happiness & Well-Being

Third Phase 2020-2050

Happiness in the era of the 100-year lifespan

- Transformation of housing to provide a range of value centered on health, connectedness and learning

The Sekisui House Global Vision: Make home the happiness place in the world

2019
Announced the Platform House Concept



Unveiled at CES 2019. Data on residents and living conditions were collected to develop this model, which was designed to help find happiness in the era of the 100-year lifespan, while also proposing new value for housing.

2020
Introduced the technologies of SHAWOOD wooden-frame houses in the U.S. market



Chōwa concept home which is expected to help resolve the social issues in the U.S. was presented at the IBS2020.

2050



Yoshihiro Nakai
President &
Representative Director

Toshinori Abe
Chairman &
Representative Director

Turning our gratitude for celebrating the 60th anniversary into a force for sustainable growth.

We will continue our policy of further strengthening core businesses and embarking on new businesses based on a solid system.

Accumulated comprehensive strength and the world's largest customer base.

Moving forward with the power of diversity and high business quality.

We would like to express our condolences to the families and acquaintances of those who died from the novel coronavirus infection (COVID-19) and we extend our deepest sympathies to those with the disease as well as everyone whose lives have been affected by the pandemic.

On August 1, 2020, Sekisui House celebrated the 60th anniversary of its founding, a significant milestone. Sekisui

House built 2.48 million dwellings during this period. We are grateful to our customers and shareholders because trust relationships with customers and support from shareholders enabled us to become the housing company with the world's largest customer base.

Following the Fourth Mid-Term Management Plan, in which we achieved strong business results, the Fifth Mid-Term Management Plan has started with a fundamental policy of strengthening the core businesses and embarking on new businesses.

We celebrated the 50th anniversary in the harsh business environment following the global financial crisis in 2008. A decade later, Sekisui House is working on ambitious

structural reforms to establish a balanced earnings base. Our high-quality custom detached houses and rental housing were originally supplied by our Built-to-Order Business. We worked to expand the Supplied Housing Business as the second pillar, which consists of the remodeling business and the real estate management fees business, both of which generate revenue from high-quality custom detached houses and rental housing. In addition, we grew the third pillar (Development Business), focusing on an improvement in the asset turnover ratio, such as the condominiums business and the urban redevelopment business. The Overseas Business, which started with the development business, also advanced to the stage for business expansion into the built-to-order business and the supplied housing business. As a result, its financial position also improved.

The driving force for these endeavors was our efforts for the Group unification. The enhancement of the Built-to-Order Business and the improvement of its technical capabilities created a variety of spillover effects to related businesses and the Group companies such as Sekisui House Real Estate, and they significantly contribute to the strengthening and sophistication of the power of diversity. Examples include the introduction of ZEH and the concept of the “Family Suite” in the condominiums business.

The Sekisui House Group was able to accumulate overwhelming comprehensive power and solidarity, and an unwavering corporate asset of *kizuna* (bonds) with customers. As a company intent on thriving in the next century, we will continue to work on reforms, always looking to the future.

Making home the happiest place in the world. Globally spreading that idea.

While formulating the Fifth Mid-term Management Plan, we set a global vision of making home the happiest place in the world to respond to the era of the 100-year lifespan,

which is coming soon. In its 60-year history, Sekisui House pursued safety and security and the basic performance of houses in the first phase and took on the challenge of improving the comfort and environmental performance of houses in the second phase.

In the third phase of the next 30 years, toward 2050, we will provide universal value through happiness as the keyword in our business activities. We will divide diverse happiness into elements, such as health, connectedness with others and learning, and install them into houses by incorporating AI and IoT technologies.

In this process, our initiative to promote Sekisui House technologies worldwide and make them the global de facto standard is a principal pillar of our strategies. Given that large-scale natural disasters caused by climate change are occurring frequently worldwide, demand for the development of a residential environment that makes safety and security a basic policy and high-quality housing stock are increasing. Sekisui House technologies, such as our SHEQAS seismic control system and our net zero energy house (ZEH), which demonstrates our originality and superiority, are not only accepted but in fact needed overseas. We strongly believe this based on our experience in the Overseas Business.

When we showcased the concept home Chowa of SHAWOOD wooden-frame house in Las Vegas, the United States, in January 2020, its energy self-sufficient ZEH specifications even during a power outage were newsworthy, while the Bellburn earthenware exterior wall also drew attention. Its unique benefits, such as being almost maintenance free without need for repainting, caught the eyes of local people who spend time on house maintenance. Climate and lifestyle differ by country, therefore, we are currently researching how to transplant Sekisui House technologies in the United States, the United Kingdom and Australia from various perspectives. Our ultimate goal is to sell custom detached houses at the same volume as in Japan.

Top Message

Promoting sales with the sales structure using IT, supporting ourselves through *kizuna* with customers.

Becoming a leading company in ESG management is an essential theme to grow as a global company. With the establishment of ESG Management Promotion Headquarters in June, we encourage unique ESG management while illustrating an ideal picture as a leading company.

With respect to eco-friendliness, we will actively communicate the significance and methods of our efforts, such as the *Gohon no ki* (five trees) Project, in which we plant 1 million trees annually to encourage landscaping with biodiversity, and our resource recycling management system based on zero-emissions in Japan and overseas.

For social improvement, we are boosting measures to make our employees happy. *Ikumen* Leave, a special childcare leave program that encourages male employees to take at least one month off work to focus on childcare, is now used as a reference by administrative organizations and other companies.

In terms of governance reforms, at the Annual General Meeting of Shareholders in April, we drastically revised the officer remuneration system, increased the ratio of outside directors on the Board of Directors and shortened the term of office of directors. At the innovation competition where employees seek business ideas in a group, out-of-box, fresh proposals have been made. We believe that this kind of activity, where employees share goals, will also strengthen governance. We repeatedly emphasize Innovation & Communication. The new strengthening of core businesses and embarking on new businesses have also started.

While the COVID-19 pandemic had a significant impact, including our voluntary suspension of some sales

activities, the number of visitors at display house locations has been showing signs of recovery after summer vacation, and we are advocating *Ouch de Sumai Zukuri* in which we propose housing plans to customers using a web conference system. The sales system quickly responding to the new normal has been functioning, supported by the introduction of IT into our sales activities, which we have been promoting, diverse methods devised by employees, and above all our corporate culture of valuing *kizuna* with customers.

A new concept model, *Ouchi Premium*, which has enhanced time at home debuted from a spacious living room Family Suite, which is adopted by about 60% of customers. At the *Kanto Sumai no Yume Kojo*, lifestyle-type model houses *Minna No Kurashi 7 stories* opened for visitors to be able to experience a real life with which people can positively enjoy changes on their life and work styles.

Now that people are having a fresh look at the way housings should be, it is the time when the true value of Sekisui House, which provides happiness, should be demonstrated, and we are realizing that *kizuna* with customers, which we value, and the accumulated customer base will be the supporting pillars. The world is currently being forced to fight against COVID-19 for a long time. Under our corporate philosophy, the underpinning philosophy of which is Love of Humanity, Sekisui House is prepared to push forward with our policy of further strengthening core businesses and embarking on new businesses to create a new history, remembering the mission of contributing to solving social issues through business. We ask for your continued support and encouragement.

Sekisui House's Challenges for the New Normal

Sales and marketing activities and house making amid the pandemic

Sekisui House prioritizes the safety of customers, business partners, and employees during the COVID-19 pandemic. We are continuing to create happy homes while limiting some activities, such as customers' visits at display houses.

We are making full use of new promotional means, such as online services and virtual reality (VR) scopes, to offer satisfactory proposals and consultation services. Sekisui House already introduced these means to increase convenience before the pandemic, which facilitated and their introduction and dissemination throughout the company. We have received positive feedback from customers. At Sekisui House we will utilize the means more widely to respond to the new normal.



Ouchi de Sumai Zukuri (House building from home) *Ouchi de Remodeling* (Remodeling from home)

Sekisui House offers online services for customers to have a consultation about house building and renovations from home, without meeting our sales staff face to face. We will send the House Creation Textbook to you along with a VR scope for the simulation of 3D, 360-degree images of the designed house and a questionnaire for creating your design plan. We will build your dream house while communicating with you and your family.



How your house is designed from home

1 Application

Apply for an online consultation with a special form.

2 Online consultation

Access the URL at the specified time to start the consultation. You can make a reservation for a virtual visit at a display house.

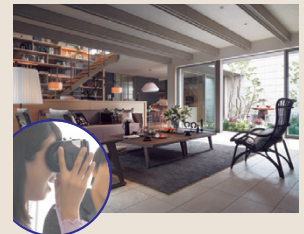
3 Design a house from home.

You will be asked to answer a simple questionnaire. We will inquire about your requests such as your ideas on how your ideal house should be for your house in detail. Then, we will propose the optimal house design. A drawing and details of the design can be viewed on the website.



4 VR Sekisui House experience

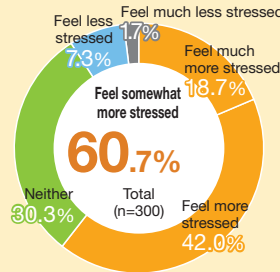
Use VR to experience the design proposal as a 3D, 360-degree image using the VR scope provided. We will help you create your ideal house.



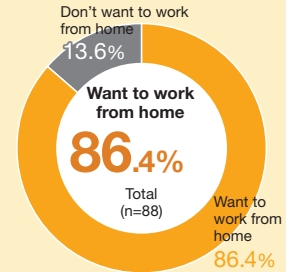
We conducted a swift survey on how people spent time at home during the stay-at-home period

Sekisui House Human Life R&D Institute conducted a questionnaire to learn about people's lifestyles in May 2020, when more people refrained from going out and stayed at home due to the COVID-19 pandemic. Results show that more than 60% of respondents felt more stress because they had to stay home longer, while over 80% of teleworkers wanted to continue to work from home. Although many people found teleworking beneficial, the survey has shown that people were having issues on how they spend time at home.

How much stress do you feel from staying at home longer than before?



Do you want to continue to work from home?



Five tips for making a happy home A lifestyle proposal under new normal



Based on the questionnaire results, the Human Life R&D Institute proposes five tips for keeping your family happy as the new normal lifestyle so that you can flexibly respond to radical lifestyle changes and lead a happy life with your family. The tips will make your new lifestyle happier and more pleasant amid the pandemic by changing your way of thinking about your time at home, which is perhaps longer than before, for example, how to communicate with your family, how to relax, and how to use each room.

- TIPS 1** An easy way to convert your room into an office
- TIPS 2** Create multiple working spaces so that adults can work and children can study at home
- TIPS 3** Introduce green to alleviate stress when you cannot go out freely
- TIPS 4** Coexistence and balance—the keywords for reducing the burden of housework
- TIPS 5** The world's simplest way of creating personal space



The following page proposes new products based on the questionnaire results.

Virtual visits at employees' houses and display houses

The website for visiting houses of Sekisui House employees¹ shows videos of the houses that are designed and built from the viewpoint of professional homemakers. The content, including videos explaining technology, is very useful for your house design. The website for virtual visits at display houses² allows you to virtually visit display houses around Japan using the VR screen. Zoom in on images to look closely at details from your favorite angle. Look at various houses while staying at home. (in Japanese only)



※ 1 <https://www.sekisuihouse.co.jp/ouchi/sh-movie/>

※ 2 <https://www.sekisuihouse.co.jp/ouchi/vr/>

★ ★ ★ ★ ★
Family Suite

Ouchi Premium

**Enjoy staying at home more
Sekisui House's proposals of new lifestyles**

Family Suite *Ouchi Premium* is the new concept model of detached houses ready for the post-pandemic new normal. The Sekisui House Global Vision of make home the happiest place in the world will overcome the pandemic and realize a richer life.

A happy home evolved into vast space without partitions and with a comfortable, large opening

Since the launch, many customers accepted the Family Suite, a wide-space design plan without partitions, free from the LDK concept (one space for cooking, dining and sitting).

The new concept of *Ouchi Premium* includes the creation of a large space on the second floor as well as the first floor, where you can enjoy spending time at home freely and more happily. The concept is intended to allow you to do what you used to do outside the home and enjoy it more easily and pleasantly at home. At Sekisui House we will respond to post-pandemic demands, meet social needs, and provide appealing houses through proposals for making time spent at home happier and more satisfactory.



2F

Dynamic Roof

Vast space of 10 meters at maximum without partitions



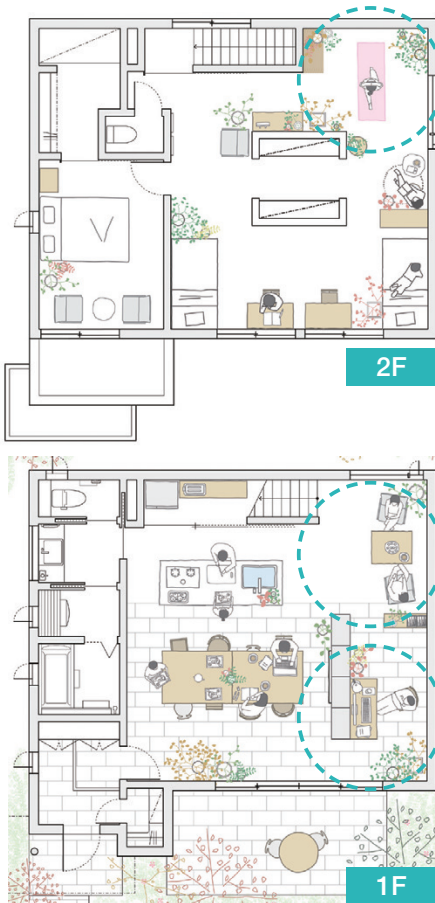
1F

New Dynamic Beam (patent pending)

Unexposed high-intensity beam enables vast space of 7 meters at maximum

For a richer and more comfortable life during and after the pandemic

Work from home, *Ouchi de Fitness*, and *Uchi de Bar*



Ouchi Premium proposes a new lifestyle by materializing research outcomes brought by the Human Life R&D Institute so that family members can lead a rich and comfortable life at home during the pandemic. We suggest how to use a roomy space realized by the Family Suite for teleworking, exercising, drinking, eating, and sleeping.



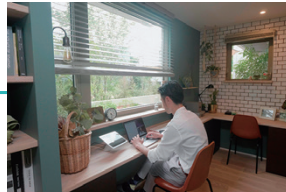
► *Ouchi de Fitness*

It is important to secure a place to work out at home to exercise easily. With *Ouchi* Premium, you can have a spot dedicated to exercise and other purposes because of the large space. We offer our original exercise program (supervised by ASICS Corporation) for each customer according to the purpose of exercise. Easily exercise at any time.



► *Uchi de Bar*

Enjoy staying home more when you have a nice and calm place for drinking within your house. We suppose that most people drink in the living room. The *Uchi de Bar* plan will create a bar like a hideaway from everyday life so that a married couple can enjoy having drinks and snacks alone together.



► Work from home

Questionnaire results found that most people were working in their living room. The *Ouchi* Premium plan will allow you to have a small study by placing furniture behind the desk or table. Have a spot for working, for domestic work, and for family life in one large, single space.

Consolidated Financial Results Highlights

Net sales

1,167.9 billion yen

YoY \triangle 3.3%

Operating income

92.6 billion yen

YoY \triangle 18.0%

Ordinary income

90.6 billion yen

YoY \triangle 22.2%

Profit attributable to owners of parent

59.4 billion yen

YoY \triangle 23.2%

Number of housing units built

2,488,226 units

Increased 19,540 units from the end of the previous fiscal year.

Overview of Business Performance and Full-year Plan

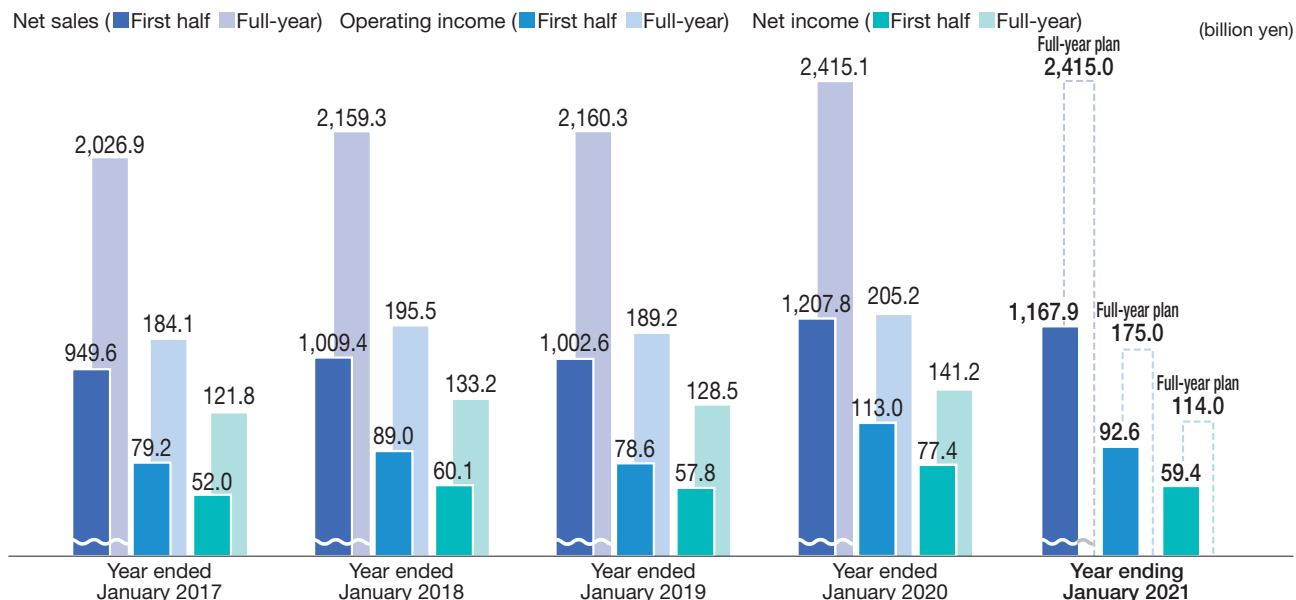
In the first six months of FY2020, the Company recorded a decrease in both net sales and profit. The results reflect the impact of self-restraint in sales activities, attributable to the COVID-19 pandemic, mainly on the custom detached houses business and the remodeling business, as well as the difference in sales of properties in the Development Business.

With a view toward promoting sales activities in the COVID-19 environment, the Company is working to win more orders by proposing plans to customers through a web conference system or VR-based presentations and enhancing sales efforts targeting corporations.

The Company revised its full-year plan in consideration of the progress in earnings during the first six months, the situation of the order backlog of each business segment and the review of property sales plans in the U.S. business, among other factors. (Refer to the bar graph below.)

The Company also revised the annual dividend plan to 82 yen per share.

Sales decreased due to a decline in orders received in 2019 and the impact of self-restraint on sales activities due to the COVID-19 pandemic. The Company is promoting online-based contact with customers and sales of the Family Suite and other products and services, in anticipation of a recovery in orders.



Sales by each business model

Built-to-Order Business	Custom Detached Houses	Sales decreased due to a decline in orders received in 2019 and the impact of self-restraint on sales activities due to the COVID-19 pandemic. The Company is promoting online-based sales activities with customers and sales of the Family Suite and other products and services, in anticipation of a recovery in orders.
	157.5 billion yen (△21.9%)	
	Rental Housing	Sales increased as construction work progressed. Order backlog also increased as a result of the implementation of an area marketing strategy and the promotion of sales featuring three- and four-story properties.
	176.3 billion yen (+1.9%)	
	Architectural / Civil engineering	Sales rose due to the posting of sales in construction and civil engineering for Konoike Construction Co., Ltd. which became a consolidated subsidiary in October 2019.
	160.1 billion yen (+584.7%)	
	Subtotal 493.9 billion yen (+24.1%)	
Supplied Housing Business	Remodeling	Sales decreased due to the impact of restraint on sales activities as in the custom detached houses business. The Company aims to win more orders by facilitating online proposal activities.
	68.9 billion yen (△11.0%)	
	Real Estate Management Fees	Sales increased because the Company maintained high occupancy rates by providing high-quality, differentiated rental houses, in addition to growth in the number of housing units under management.
	277.0 billion yen (+4.1%)	
	Subtotal 346.0 billion yen (+0.7%)	
Development Business	Houses for Sale	Sales decreased due to the impact of a range of factors related to COVID-19, although the Company actively procured land for first-time buyers.
	62.7 billion yen (△25.0%)	
	Condominiums	Sales increased because progress was made as planned in sales and property deliveries mainly with respect to tower-type condominiums.
	41.7 billion yen (+18.0%)	
	Urban Redevelopment	Sales dropped due to the difference in the sales volume of properties sold, although the Company succeeded in selling properties to REITs and other parties according to the full-year plan.
	46.5 billion yen (△53.0%)	
	Subtotal 151.1 billion yen (△30.7%)	
Overseas Business	Sales decreased in the U.S. multifamily business due to the difference in sales of properties. Meanwhile, the homebuilding business in the United States and the condominium sales in China remained strong.	140.5 billion yen (△32.7%)
Other Businesses		36.3 billion yen (△6.7%)

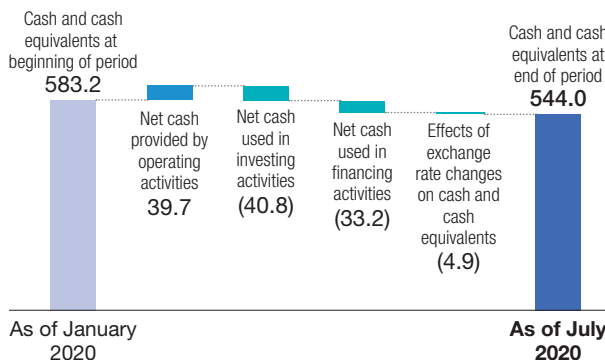
Balance Sheet

(billion yen)

	As of January 2019	As of January 2020	As of July 2020
Current assets	1,569.3	1,816.0	1,774.6
Noncurrent assets	843.7	818.7	812.6
Total assets	2,413.0	2,634.7	2,587.2
Current liabilities	781.3	821.8	795.7
Long-term liabilities	434.7	506.0	472.0
Net assets	1,196.9	1,306.8	1,319.4
Total liabilities and net assets	2,413.0	2,634.7	2,587.2

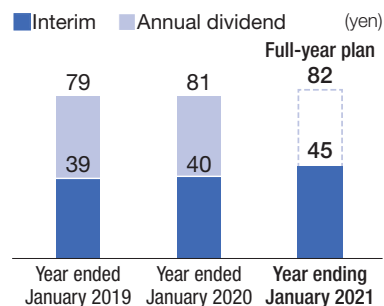
Cash Flows

(billion yen)



Annual Dividend per Share

82.00



The Company plans to pay annual dividend of 82 yen (the interim dividend of 45 yen and the year-end dividend of 37 yen), up 1 yen from the previous fiscal year.

Stock Information

Stock information (As of July 31, 2020)

Total number of shares authorized to be issued:	1,978,281,000 shares
Total number of shares issued: (including treasury stock of 2,533,876 shares)	684,683,466 shares
Share unit number:	100
Total number of shareholders:	79,480

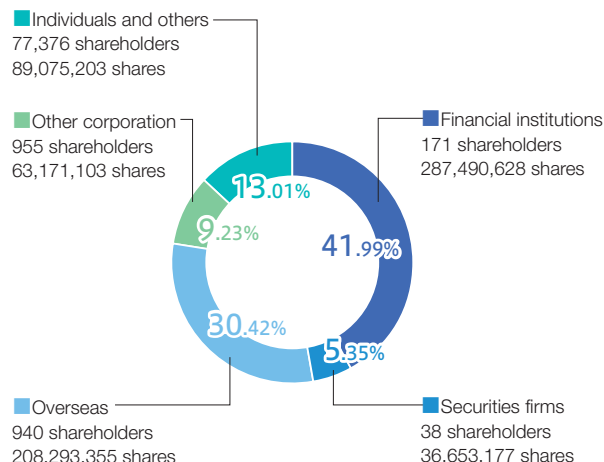
Major shareholders (Top 10 largest shareholders)

Name	Number of shares held (shares)	Ratio of shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	68,824,100	10.09
Custody Bank of Japan, Ltd. (Trust account)	40,420,400	5.93
Sekisui Chemical Co., Ltd.	37,168,727	5.45
Custody Bank of Japan, Ltd. (Trust account 7)	17,276,800	2.53
Sekisui House Ikushikai	17,003,983	2.49
SMBC Nikko Securities Inc	16,810,700	2.46
Custody Bank of Japan, Ltd. (Trust account 5)	14,072,000	2.06
MUFG Bank, Ltd	13,624,515	2.00
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	13,195,054	1.93
The Dai-ichi Life Insurance Company, Limited	12,158,730	1.78

Notes

1. Sekisui House Ikushikai is the Company's employee stock holding association.
2. The ratio of shareholding is calculated deducting shares of treasury stock from the total number of shares issued.

Stock Composition



Please see Company's website for corporate profile and more.

<https://www.sekisuihouse.co.jp/english/company/>