

## Consolidated Financial Results for FY2019 (February 1, 2019 through January 31, 2020)

March 5, 2020

Company name	: <b>Sekisui House, Ltd.</b> (URL <a href="http://www.sekisuihouse.co.jp">http://www.sekisuihouse.co.jp</a> )
Listed exchanges	: Tokyo, Nagoya
Stock code	: 1928
Representative	: Yoshihiro Nakai, President and Representative Director
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Date of general shareholders' meeting	: April 23, 2020
Date of scheduled payment of dividends	: April 24, 2020
Date of scheduled filing of securities report	: April 24, 2020
Supplementary explanatory documents	: Yes
Earnings results briefing	: Yes (for institutional investors and analysts, in Japanese)

(Amounts are rounded down to the nearest million yen)

### 1. Consolidated Results for the FY2019 (February 1, 2019 through January 31, 2020)

#### (1) Consolidated Financial Results

(% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2020	2,415,186	11.8	205,256	8.5	213,905	9.6	141,256	9.9
Year ended January 31, 2019	2,160,316	0.0	189,223	(3.2)	195,190	(4.2)	128,582	(3.5)

(Note) Comprehensive income: Year ended Jan. 2020: ¥ 145,202million [(211.0%)] Year ended Jan. 2019: ¥46,691 million [(68.3%)]

	Profit per share	Fully diluted profit per share	Return on equity	Ordinary income ratio to total assets	Operating income ratio to net sales
	¥	¥	%	%	%
Year ended January 31, 2020	205.79	205.57	11.5	8.5	8.5
Year ended January 31, 2019	186.53	186.29	10.8	8.1	8.8

(Reference) Equity in earnings of affiliates: Year ended Jan. 2020: ¥ 10,483million Year ended Jan. 2019: ¥7,750 million

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2020	2,634,748	1,306,850	48.1	1,852.62
As of January 31, 2019	2,413,035	1,196,923	49.0	1,718.82

(Reference) Equity capital\* As of January 31, 2020: ¥1,266,195 million As of January 31, 2019: ¥1,182,808 million

#### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of end of period
	¥ millions	¥ millions	¥ millions	¥ millions
Year ended January 31, 2020	363,766	(65,229)	(148,160)	583,297
Year ended January 31, 2019	125,088	(70,184)	(31,030)	342,898

### 2. Cash Dividends

	Dividends per share (¥)					Total dividends (annual) (¥ millions)	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual			
Year ended January 31, 2019	-	39.00	-	40.00	79.00	54,454	42.4	4.6
Year ended January 31, 2020	-	40.00	-	41.00	81.00	55,573	39.4	4.5
Year ending January 31, 2021 (Forecast)	-	45.00	-	41.00	86.00		42.5	

(Note) Breakdown of dividend forecast for the end of 2<sup>nd</sup> quarter of the fiscal year ending January 31, 2021

ordinary dividend: ¥ 40 / commemorative dividend: ¥ 5

### 3. Consolidated Results Forecast for FY2020 (February 1, 2020 through January 31, 2021)

(% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Year ending January 31, 2021	2,585,000	7.0	206,000	0.4	205,000	(4.2)	137,000	(3.0)	202.52

## \* Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries that caused a change in scope of consolidation): Not applicable

New Consolidated Companies: - Excluded: -

(2) Changes in accounting policies, accounting estimates and restatements

(i) Changes in accounting policies due to amendment of accounting standards: Applicable

(ii) Changes in accounting policies due other than (i): Not applicable

(iii) Changes in accounting estimates: Not applicable

(iv) Restatements: Not applicable

(3) Number of shares outstanding (common stock)

(i) Number of shares outstanding at the end of each period (including treasury stock):

As of Jan. 31, 2020: 690,683,466 shares As of Jan. 31, 2019: 690,683,466 shares

(ii) Number of treasury stock at the end of each period:

As of Jan. 31, 2020: 7,222,070 shares As of Jan. 31, 2019: 2,531,961 shares

(iii) Average number of shares outstanding in each period:

Year ended Jan. 2020: 686,401,345 shares Year ended Jan. 2019: 689,337,044 shares

## (Reference) Summary of non-consolidated financial results

## 1. Non-Consolidated Results for the FY2019 (February 1, 2019 through January 31, 2020)

## (1) Non-Consolidated Financial Results

(% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2020	1,202,918	2.6	74,930	(17.6)	103,978	(11.3)	66,181	(17.0)
Year ended January 31, 2019	1,172,519	0.2	90,922	(7.4)	117,264	(5.9)	79,710	(7.7)

	Net income per share	Fully diluted Net income per share
	¥	¥
Year ended January 31, 2020	96.39	96.29
Year ended January 31, 2019	115.60	115.45

## (2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2020	1,580,475	867,282	54.8	1,267.72
As of January 31, 2019	1,594,268	859,499	53.9	1,247.50

(Reference) Equity capital\* As of January 31, 2020: ¥866,672 million As of January 31, 2019: ¥858,696 million

\* Equity capital shows the amount of the net assets excluding non-controlling interests and stock subscription rights.

**\* This consolidated financial results report are outside the scope of review by a certified public accountant or an audit firm.**

**\* Notes Regarding the Appropriate Use of Results Forecasts and Other Important Matters**

This document contains forward-looking statements based on judgments and estimates derived from information available to the Company at the time of this release, and is therefore subject to risks and uncertainties. Actual future results may differ materially from any projections presented here due to a variety of factors, including economic conditions surrounding the business domain of the Company and Group companies, as well as market trends.

For details of results forecast, please refer to “(1) Analysis of Business Results (Future Outlook)” of “1. Analyses of Business Results and Financial Position” of the “Attached Material” on page 7.

## (Obtaining supplementary explanatory documents)

The Company plans to hold a briefing for institutional investors and analysts on March 5, 2020. Relevant financial explanatory documents to be handed out at the briefing will be posted on our official website on the same day.

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**Appendix 1: Results summary for the year ended January 31, 2020**

¥ millions

<b>Consolidated</b>	FY2018	FY2019	YOY (%)	FY2020 forecast	YOY (%)
Net sales	2,160,316	2,415,186	11.8	2,585,000	7.0
Gross profit	444,596	478,036	7.5	506,000	5.8
Operating income	189,223	205,256	8.5	206,000	0.4
Ordinary income	195,190	213,905	9.6	205,000	(4.2)
Profit attributable to owners of parent	128,582	141,256	9.9	137,000	(3.0)
Total orders	2,177,557	2,480,066	13.9	2,585,000	4.2
Accumulated orders	995,842	1,408,448	41.4	1,408,448	-

**Key management indicators**

<b>Consolidated</b>	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 forecast
Profit per share (¥)	120.16	175.48	193.06	186.53	205.79	202.52
Net assets per share (¥)	1,508.81	1,598.90	1,731.60	1,718.82	1,852.62	1,962.49
Dividends per share (¥)	54.00	64.00	77.0	79.00	81.00	86.00
OP margin	8.05%	9.09%	9.06%	8.76%	8.50%	8.0%
ROE	7.93%	11.28%	11.59%	10.82%	11.54%	10.6%
ROA *	8.25%	9.38%	9.03%	8.32%	8.78%	8.0%

\* ROA: Return on Assets = (Operating income + Interest and Dividends received+ Equity in earnings of affiliates) / Total assets

(Note) The Company adopted standards such as the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) at the beginning of the fiscal year under review, which has been applied retroactively to the key management indicators and other factors in the previous fiscal year presented in this report.

## Appendix 2: Segment breakdown for the year ended January 31, 2020

## (1) Sales

¥ millions

		FY2018	FY2019	YOY(%)	FY2019 Recombined	FY2020 Forecast	YOY(%)
Built-to-order Business	Custom Detached Houses	357,944	390,995	9.2	390,995	346,000	(11.5)
	Rental Housing	416,062	410,622	(1.3)	360,026	380,000	5.5
	Architectural / Civil Engineering	-	-	-	120,986	325,000	168.6
	Subtotal	774,006	801,618	3.6	872,008	1,051,000	20.5
Supplied Housing Business	Remodeling	141,416	152,729	8.0	152,729	162,500	6.4
	Real Estate Management fees	514,035	534,876	4.1	534,876	556,500	4.0
	Subtotal	655,452	687,606	4.9	687,606	719,000	4.6
Development Business	Houses for Sale	148,880	151,268	1.6	151,268	139,000	(8.1)
	Condominiums	89,581	103,984	16.1	103,984	84,000	(19.2)
	Urban Redevelopment	173,391	131,920	(23.9)	131,920	107,000	(18.9)
	Subtotal	411,853	387,173	(6.0)	387,173	330,000	(14.8)
Overseas Business		245,953	389,866	58.5	389,866	410,000	5.2
Other businesses		73,050	148,922	103.9	78,531	75,000	(4.5)
Consolidated		2,160,316	2,415,186	11.8	2,415,186	2,585,000	7.0

## (2) Operating income and OP margin

¥ millions

		FY2018	FY2019	YOY(%)	FY2019 Recombined	FY2020 Forecast	YOY(%)
		Amount OP margin	Amount OP margin		Amount OP margin	Amount OP margin	
Built-to-order Business	Custom Detached Houses	42,255 11.8%	45,942 11.8%	8.7	45,942 11.8%	27,500 7.9%	(40.1)
	Rental Housing	50,376 12.1%	48,938 11.9%	(2.9)	49,710 13.8%	50,000 13.2%	0.6
	Architectural / Civil Engineering	-	-	-	3,730 3.1%	16,500 5.1%	342.4
	Subtotal	92,632 12.0%	94,881 11.8%	2.4	99,383 11.4%	94,000 8.9%	(5.4)
Supplied Housing Business	Remodeling	21,109 14.9%	23,535 15.4%	11.5	23,535 15.4%	25,000 15.4%	6.2
	Real estate Management fees	39,407 7.7%	41,054 7.7%	4.2	41,054 7.7%	46,000 8.3%	12.0
	Subtotal	60,516 9.2%	64,589 9.4%	6.7	64,589 9.4%	71,000 9.9%	9.9
Development Business	Houses for Sale	11,088 7.4%	12,259 8.1%	10.6	12,259 8.1%	9,000 6.5%	(26.6)
	Condominiums	6,478 7.2%	10,134 9.7%	56.4	10,134 9.7%	10,000 11.9%	(1.3)
	Urban Redevelopment	40,403 23.3%	17,045 12.9%	(57.8)	17,045 12.9%	20,000 18.7%	17.3
	Subtotal	57,970 14.1%	39,439 10.2%	(32.0)	39,439 10.2%	39,000 11.8%	(1.1)
Overseas Business		16,340 (6.6%)	44,551 11.4%	172.6	44,551 11.4%	46,000 11.2%	3.3
Other businesses		(44) (0.1%)	4,229 2.8%	-	(273) (0.3%)	1,000 1.3%	-
Eliminations and back office		(38,192)	(42,434)	-	(42,434)	(45,000)	-
Consolidated		189,223 8.8%	205,256 8.5%	8.5	(205,256) 8.5%	206,000 8.0%	0.4

## (3) Orders

¥ millions

		FY2018	FY2019	YOY(%)	FY2019 Recombined	FY2020 Forecast	YOY(%)
Built-to-order Business	Custom Detached Houses	386,792	346,293	(10.5)	346,293	366,000	5.7
	Rental Housing	424,709	435,513	2.5	391,991	410,000	4.6
	Architectural / Civil Engineering	-	-	-	96,992	347,000	257.8
	Subtotal	811,501	781,807	(3.7)	835,277	1,123,000	34.4
Supplied Housing Business	Remodeling	148,417	149,716	0.9	149,716	165,000	10.2
	Real Estate Management fees	514,035	534,876	4.1	534,876	556,500	4.0
	Subtotal	662,453	684,593	3.3	684,593	721,500	5.4
Development Business	Houses for Sale	156,208	143,300	(8.3)	143,300	145,000	1.2
	Condominiums	85,904	73,692	(14.2)	73,692	86,000	16.7
	Urban Redevelopment	146,525	160,645	9.6	160,645	77,000	(52.1)
	Subtotal	388,637	377,638	(2.8)	377,638	308,000	(18.4)
Overseas Business	237,535	500,886	110.9	500,886	355,000	(29.1)	
Other businesses	77,429	135,140	74.5	81,670	75,000	(8.2)	
Consolidated	2,177,557	2,480,066	13.9	2,480,066	2,582,500	4.1	

## (4) Accumulated orders

¥ millions

		As of January 31, 2019	As of January 31, 2020	YOY(%)	As of January 31, 2020 Recombined	As of January 31, 2021 forecast	YOY(%)
Built-to-order Business	Custom Detached Houses	229,004	184,302	(19.5)	184,302	204,302	10.9
	Rental Housing	407,403	432,294	6.1	376,538	406,538	8.0
	Architectural / Civil Engineering	-	-	-	386,561	408,561	5.7
	Subtotal	636,407	616,596	(3.1)	947,402	1,019,402	7.6
Supplied Housing Business	Remodeling	30,989	27,976	(9.7)	27,976	30,476	8.9
	Real estate Management fees	-	-	-	-	-	-
	Subtotal	30,989	27,976	(9.7)	27,976	30,476	8.9
Development Business	Houses for Sale	49,481	41,513	(16.1)	41,513	47,513	14.5
	Condominiums	118,054	87,762	(25.7)	87,762	89,762	2.3
	Urban Redevelopment	1,888	30,613	-	30,613	613	(98.0)
	Subtotal	169,424	159,889	(5.6)	159,889	137,889	(13.8)
Overseas Business	111,303	222,324	99.7	222,324	167,324	(24.7)	
Other businesses	47,716	381,661	699.8	50,854	50,854	-	
Consolidated	995,842	1,408,448	41.4	1,408,448	1,405,948	(0.2)	

\* The values of the items of Otori Holdings, Co., Ltd., which became a consolidated subsidiary of the Company at the end of the third quarter of the fiscal year under review, are included in the "other" segment of each indicator. The segment breakdown has been reorganized from the one for the fiscal year ended January 2020 in order to make the Architectural and Civil Engineering business a reportable segment beginning in the fiscal year ending January 31, 2021.

## 1. Analysis of Business Results and Financial Position

### (1) Analysis of Business Results

#### (Review of Overall Business Results)

During the consolidated fiscal year under review, the Japanese economy saw a moderate recovery, reflecting improvements in capital spending and the employment environment, although corporate earnings appeared weak mainly in the manufacturing industry.

In the domestic housing market, the construction of custom detached houses and built for houses such as condominiums increased. However, the number of new housing starts decreased, reflecting a significant downturn in the number of rental housing starts attributable mainly to the tightened lending attitude of financial institutions. In terms of the order environment, the amount of orders received continued to fall short of the year-ago level due to the impact of the consumption tax hike and natural disasters, among other factors.

Under these circumstances, the Company stepped up its efforts to strengthen the housing and residential-related business and expand new business areas under the core policy adopted in the Fourth Mid-Term Management Plan (2017-2019) of Building the foundation for residential-related business BEYOND 2020 in the final year of that Plan, while the entire Sekisui House Group pursued the value that housing can provide to society. It continued to develop the Platform House to assist happiness in the era of the 100-year lifespan with a focus on health, connectedness and learning, while simultaneously building HED-Net, the world's first in-home early detection network, to realize the concept of a health nurturing home. The Company has also started a long-term research collaboration on in-home wellness monitoring with the Institute of Medical Engineering and Science, a research institute of the Massachusetts Institute of Technology (MIT). In addition to these initiatives, it continued its efforts to facilitate the Trip Base Michi-no-Eki Stations Project, a regional revitalization project, and commenced the construction of roadside hotels that will open in 15 locations in 6 prefectures from autumn 2020, as the first stage.

It also worked to reform the Group's organization to expand the business area and enhance brand awareness. The Company also converted Otori Holdings, Co., Ltd. (a holding company of Konoike Construction Co., Ltd.) into a consolidated subsidiary in October. It will ensure that the conversion leads to further growth by strengthening its collaboration with Konoike Construction Co., Ltd. and creating business synergies. Furthermore, it established Sekisui House noie Limited, a new company, and sought to expand the Custom Detached Houses Business by strengthening sales systems for secondary brands. It also changed the trade name of Sekiwa Real Estate companies to Sekisui House Real Estate companies. By unifying trade names to feature the Sekisui House brand, the Company will enhance efforts for business promotion and accelerate its growth on a group-wide basis.

On top of this, the Company also worked on ESG (environment, society, governance), one of the key management issues, with the aim of becoming a leading company in ESG management.

Net sales for the current period amounted to ¥2,415,186 million (up 11.8% year-on-year). Operating income amounted to ¥205,256million (up 8.5 % year-on-year), ordinary income to ¥213,905 million (up 9.6% year-on-year) and profit attributable to owners of parent to ¥141,256 million (up 9.9% year-on-year).

Business results by segments are as follows.

#### <Built-to-Order Business>

##### (Custom Detached Houses Business)

In the Custom Detached Houses Business, the Company promoted marketing activities for the Family Suite, a living room with a large area for maintaining a comfortable sense of distance among family members. The Family Suite was created based on the achievements of a study of Houses in which the more you live, the happier you will be, and advanced technologies. Recently, it has been adopted by half of our customers. In addition, to offer a new concept on urban lifestyles,

it released the REGNUM COURT, an urban-type, steel-frame, three- or four-story housing unit that secures privacy and creates a lifestyle in which the residents feel at one with nature. The Company also promoted sales of Green First Zero, its net zero energy house (ZEH) that achieves an energy balance by saving and creating energy while maintaining a comfortable life. Its adoption rate rose to surpass 80%, or the target for 2020. Orders received decreased year-on-year.

Sales in the Custom Detached Houses Business amounted to ¥390,995 million, up 9.2% year-on-year, and operating income to ¥45,942 million, up 8.7% year-on-year.

#### **(Rental Housing Business)**

In the Rental Housing Business, the Company sought to win more orders for rental houses centered on those with three or four-stories by conducting exhaustive marketing in specific areas focused on urban districts and making attractive proposals that lead to stable management in the long term, such as the supply of rental properties of good quality. In addition, the Company sought to meet diverse construction demand and bolster its ability to propose applications, such as houses for combined residential and commercial use, hotels, day nurseries, and medical institutions. As a result, sales progressed solidly for non-housing segments. In addition, the Company facilitated the promotion of ZEH, which had been believed to be difficult in apartment complexes. Thanks to these efforts, orders received increased year-on-year.

Sales in the Rental Housing Business amounted to ¥410,622 million, down 1.3% year-on-year, and operating income to ¥48,938 million, down 2.9% year-on-year.

#### **<Supplied Housing Business>**

##### **(Remodeling Business)**

In the Remodeling Business, the Company promoted its shift from maintenance-based remodeling to proposal-based remodeling, which offers lifestyle ideas, and environment-based remodeling, such as energy-saving renovation, and took steps to bolster its sales structure. In September, the Company launched the Family Suite Renovation incorporating the Family Suite concept in housing renovation for existing houses. In addition, it stepped up its efforts to propose large-scale remodeling such as Idokoro Dan-netsu, which is remodeling based on the Green First Renovation concept, spotlighting the heat insulation-based renovation of the LDK areas coupled with comfortable facilities. As a result, orders received increased year on year. In addition, the Company made aggressive proposals that contribute to stable management in the long term, including the maintenance and improvement of rent levels and occupancy rates, to the owners of Sha-Maison rental houses.

Sales in the Remodeling Business amounted to ¥152,729 million, up 8.0% year-on-year, and operating income to ¥23,535 million, up 11.5% year-on-year.

##### **(Real Estate Management Fees Business)**

In the Real Estate Management Fees Business, the number of Sha-Maison rental housing units for block leasing and that of housing units under management is commissioned achieved solid growth through a group-based collaboration with Sekiwa Real Estate companies (currently Sekisui House Real Estate) . Under this condition, the Company maintained high occupancy rates by meeting demand for high-quality rental houses featuring hotel-like specifications. It also sought to strengthen the brokerage business in real estate trading.

Sales in the Real Estate Management Fees Business amounted to ¥534,876million, up 4.1% year-on-year, and operating income to ¥41,054million, up 4.2% year-on-year.

#### **<Development Business>**

##### **(Houses for Sale Business)**

In the Houses for Sale Business, the Company continued to procure land actively for first-time buyers, and at the same time, the Company furthered events and other initiatives to promote sales. In addition, the Company advanced efforts to develop communities of high quality that can be passed on to the next generation in the forms of initiatives for planning and proposing not only individual gardens and external facilities but also integrated rows of houses and activities for supporting community development, adopting the concept of beauty that blooms with time in which attractions and value grow over the years.



Sales in the Houses for Sale Business amounted to ¥151,268 million, up 1.6% year-on-year, and operating income to ¥12,259 million, up 10.6% year-on-year.

#### **(Condominiums Business)**

In the Condominium Business, the Company continued to implement its thorough area-specific strategies and advanced its brand strategies by integrating homebuilding knowhow gained through custom detached houses. In addition, it commenced the construction of Grande Maison Uemachi-1-chome Tower (tentative name) (Chuo-ku, Osaka), a property adopted as a high-rise ZEH-M project in fiscal 2019. On the sales side, Grande Maison Shin Umeda Tower THE CLUB RESIDENCE (Kita-ku, Osaka) and Grande Maison Hisaya Odori (Higashi-ku, Nagoya) continued to record strong sales performance. With respect to deliveries, progress was made as planned for Grande Maison Shinagawa Seaside-no-Mori (Shinagawa-ku, Tokyo) and Grande Maison Uemachidai the Tower (Chuo-ku, Osaka), among other properties.

Sales in the Condominiums Business amounted to ¥103,984million, up 16.1 % year-on-year, and operating income to ¥10,134 million, up 56.4% year-on-year.

#### **(Urban Redevelopment Business)**

In the Urban Redevelopment Business, occupancy rates for rental properties owned by the Sekisui House Group, such as offices, commercial buildings and Prime Maison rental houses developed by the Company, remained high. Meanwhile, the Company sold office buildings and rental properties to Sekisui House Reit, Inc., including Akasaka Garden City (part of the stake) and Prime Maison Hongo.

Sales in the Urban Redevelopment Business amounted to ¥131,920million, down 23.9% year-on-year, and operating income to ¥17,045 million, down 57.8% year-on-year.

#### **<Overseas Business>**

In the United States, the Company sold a total of 7 properties, including Union Denver (in Denver), Sofia (in Los Angeles) The Griffin (in Los Angeles) and The Grace (in Los Angeles) in the multifamily business. The master-planned community business and the homebuilding business of Woodside Homes Company, LLC remained firm during the period. In China, condominium sales remained strong in Suzhou and Taicang, while in Australia, it sold equities in the commercial facility in Central Park (Sydney).

The Company announced a move into the UK housing market, forming partnership with Homes England and Urban Splash House Holdings Ltd.

Sales in the Overseas Business amounted to ¥389,866 million, up 58.5% year-on-year, and operating income to ¥44,551 million, up 172.6% year-on-year.

#### **<Other Businesses>**

In the Exterior Business, the Company worked to step up integrated proposals for houses and external facilities. The Company made aggressively proposals for building original gardens and external facilities in custom detached houses, rental houses and condominiums based on the Gohon no Ki landscaping plan through which garden trees are selected from native species to match the local climate. The results include revenues and profits posted on October 1, 2019 and beyond by Otori Holdings, which was converted into a consolidated subsidiary.

Sales in the Other Businesses amounted to ¥148,922 million, up 103.9% year-on-year, and operating income to ¥4,229 million.

The Company's specific efforts regarding ESG were as follows.

The Company was selected for the Silver Class in the Homebuilding category of the SAM Sustainability Award 2019, a sustainability assessment undertaken by RobecoSAM, a global class assessor of social responsibility investment (SRI).

With respect to environmental efforts, the Company made a decarbonization declaration in 2008 to help build a sustainable society, with 2050 as the target year. The Company has continuously promoted efforts to popularize ZEH and reduce greenhouse gases generated from its business activities. As a result of these pioneering initiatives and proactive

information disclosures, the Company was included on the Climate Change A List, the highest evaluation given by CDP, a non-profit global environmental organization, for the second consecutive year. In December, it published the TCFD: 2019 Status Report, Japan's first report by non-financial companies that indicates the concrete financial impact, and disclosed information regarding countermeasures against the risk of climate change and corporate strategies for sustainable growth, among other subjects.

In terms of enhancing its position on social issues, the Company moved forward with initiatives to create systems and workplaces that enable employees to work actively in a healthy environment. These initiatives include childcare leave of at least one month for male employees, which has been taken by all of eligible employees, and the establishment of a new employee welfare system featuring the registration of partners in a common law or same-sex marriage, which is aimed at making diversity a growth driver.

In the area of governance, the Company has steadily implemented 14 concrete measures such as the "transparency and invigoration of Board of Director meeting operations" and the "appointment of women as external officers," among other measures since 2018, the year that was positioned as the first year of governance reforms. In addition, it has been working to strengthen its corporate governance system through a range of efforts, such as establishing policies on shortening the term of office of directors and abolishing the executive adviser system, evaluating the efficacy of the Board of Directors through third-party organizations, and embarking on a fundamental review of the executive remuneration system.

### **(Future Outlook)**

The economic outlook is increasingly uncertain, given the trade tensions and geopolitical risks faced by foreign countries, the impact of Brexit, and the spread of the COVID-19 coronavirus. Meanwhile, in Japan, the impact that the trend in consumer confidence following the consumption tax hike will have on the housing market also needs to be borne in mind.

In this business environment, to mark the 60th anniversary of its founding, the Company has adopted "making home the happiest place in the world" as its global vision for the next 30 years, and has set itself the goal of becoming a global housebuilder that provides services fusing the physical and the immaterial. It has also formulated a new fifth mid-term management plan (FY2020-FY2022) and, over the three years from FY2020, it will conduct business in line with basic direction of "Further strengthening core businesses and embarking on new businesses."

In the Built-to-Order Business, the Company will pursue high added value housing and living environments and, in the Custom Detached Houses segment, it will widen its pricing brackets and strengthen and promote product development according to the price bracket. In Rental Housing, the Company will continue thoroughly implementing area marketing focused on prime areas and will also seek to strengthen proposals for the effective utilization of commercial real estate (CRE) and public real estate (PRE) by utilizing the strengths of its original  $\beta$  system construction method in a wide range of applications and increasing synergies with Konoike Construction Co., Ltd., which it made into a consolidated subsidiary. In the Supplied Housing Business, the Company will actively expand proposal-based eco-friendly remodeling and seek to strengthen the sublease and brokerage businesses of Sekisui House Real Estate companies. In the Development Business, the Company will ensure stable profits by improving asset turnover and acquiring prime land in line with its area marketing strategy. In the Overseas Business, the Company will enter a new stage of deploying Sekisui House technologies in each country, thereby putting in place a structure for sustainable growth.

For the fiscal year ending January 31, 2021, the Company forecasts consolidated net sales of ¥2,585,000 million (up 7.0% from the current fiscal year under review), consolidated operating income of ¥206,000 million (up 0.4%), consolidated ordinary income of ¥205,000 million (down 4.2%), and profit attributable to owners of parent of ¥137,000 million (down 3.0%).

## **(2) Analysis on Financial Position**

Total assets increased ¥221,712 million, to ¥2,634,748 million, at the end of the third quarter of the consolidated fiscal year ending January 31, 2020. This was primarily attributable to increases in cash and deposits, and property, plant and equipment, resulting from the conversion of Otori Holdings, Co., Ltd. into a consolidated subsidiary. Liabilities increased ¥111,785 million, to ¥1,327,897 million, mainly reflecting rises in advances received on construction contracts in progress and accounts payable attributable to the conversion of Otori Holdings, Co., Ltd. into a consolidated subsidiary. Net assets increased ¥109,926 million, to ¥1,306,850 million, reflecting the posting of profit attributable to owners of parent.

Cash flows from operating activities was ¥363,766 million (a year-on-year increase of ¥238,678 million in net cash provided), primarily due to posting of profit before income taxes.

Cash flows used in investing activities was ¥65,229 million (a year-on-year increase of ¥4,954 million in net cash provided), mainly reflecting the purchase of property, plant, and equipment, and purchase of shares of subsidiaries resulting in change in scope of consolidation.

Cash flows used in financing activities was ¥148,160 million (a year-on-year decrease of ¥117,129 million in net cash provided), owing mainly to the issuance of bonds.

After adding ¥93,981 million in cash and cash equivalents following the change in the scope of consolidation, the balance of cash and cash equivalents for the current fiscal year increased ¥240,399 million from the end of the previous fiscal year to ¥583,297 million.

### **(3) Basic Policy on Profit Distribution, Dividend for the Current and Next Fiscal Years**

The Company regards the maximization of shareholder value as one of its most important management issues. Accordingly, the Company will strive to increase earnings per share and will also seek to make investment in growth and enhance shareholder returns, taking into comprehensive account the status of profits and cash flows in each fiscal year and future business development, among other factors. The Company has set itself a medium-term target payout ratio of at least 40% and will also flexibly acquire treasury stock in an effort to improve shareholder value.

For the year ended January 31, 2020, we paid an interim dividend of ¥40 and plan to pay out a year-end dividend of ¥41.

For the next fiscal year ending January 31, 2021, we plan to pay out an interim dividend of ¥40, a commemorative dividend to mark our 60th anniversary of ¥5 and a year-end dividend of ¥41, totaling ¥86 for the full year.

## **2. Management Policy**

### **(1) Basic Management Policy**

Since the establishment of Sekisui House, we have aimed to create homes and environments with individuality and warmth, as a leading producer of housing in Japan. Providing first class product quality and technical skills is essential, and we aim every day to reflect our philosophy of love of humanity by creating houses that bring satisfaction to our customers. In the future, through rigorous quality control we aim to continue to raise customer satisfaction and to provide full after service to our customers. Housing is characterized by a very long product life and we believe that steadily pursuing these values in our business activities creates a powerful framework of trust that is the key to long-term growth and an essential element of our business. Further our basic stance is that true management of a company is borne out of three concepts: customer satisfaction, shareholder satisfaction and employee satisfaction and we must also fulfill our obligations as a corporate citizen while considering the stability and investment required to ensure continued long term growth while making determined efforts to expand our business.

### **(2) Targeted Performance Indicators**

In order to promote business efficiency, we aim to take opportunities to strengthen our balance sheet and raise asset efficiency in each of our businesses. As a result of these initiatives, it aims to improve the rates of return on total assets and net assets, while achieving ROA of 10% and keeping ROE above 10%.

### **(3) Medium and Long-term Business Strategy**

Under the fourth mid-term management plan (FY2017-FY2019) with “Deployment of growth strategies focused on the residential business domain” as the management direction, the Company focused on bolstering its residence and

residential-related businesses and expanding new business domains, while pursuing the value that residences can provide to society across the Sekisui House Group as a whole. With the business environment set to change dramatically in the future, in order to achieve sustainable growth, the Company has adopted “making home the happiest place in the world” as its global vision and has also formulated its fifth mid-term management plan (FY2020-FY2022) for the period up until the fiscal year ending January 31, 2023.

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, to realize its global vision. 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  $\beta$  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.

The business strategies of each business are as follows.

### **Built-to-Order Business (Custom Detached Housing / Rental Housing/ Architectural and Civil Engineering )**

In the Custom Detached Housing business, the Group will propose new added value such 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 and 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  $\beta$  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 (Remodeling / Real Estate Management Fees)**

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 (Houses for Sale / Condominiums / Urban Redevelopment)**

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.

### **3. Basic Approach to the Selection of Accounting Standards**

The Sekisui House Group has been compiling its consolidated financial statements according to the Japanese standards. It will adopt international accounting standards appropriately in the future, factoring in the situations both in Japan and abroad.

## 4. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(¥ millions)

	As of January 31, 2019	As of January 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	343,358	584,635
Notes receivable, accounts receivable from completed construction contracts	42,503	133,978
Costs on uncompleted construction contracts	12,168	17,934
Buildings for sale	393,538	342,594
Land for sale in lots	579,000	541,524
Undeveloped land for sale	106,934	94,827
Other inventories	8,546	8,323
Other	84,706	93,374
Less allowance for doubtful accounts	(1,440)	(1,186)
<b>Total current assets</b>	<b>1,569,318</b>	<b>1,816,005</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	346,776	355,787
Machinery, equipment and vehicles	63,926	71,325
Tools, furniture and fixtures	32,605	34,351
Land	304,370	284,769
Lease assets	2,544	4,138
Construction in progress	21,888	28,267
Less accumulated depreciation	(241,718)	(268,083)
<b>Total property, plant and equipment</b>	<b>530,394</b>	<b>510,556</b>
Intangible assets		
Goodwill	4,586	3,097
Industrial property	357	194
Leasehold right	5,363	4,183
Software	9,727	10,599
Right of using facilities	237	197
Telephone subscription right	288	321
Other	6	68
<b>Total intangible assets</b>	<b>20,566</b>	<b>18,661</b>
Investments and other assets		
Investments in securities	156,959	157,715
Long-term loans receivable	24,157	36,568
Asset for retirement benefits	382	1,502
Deferred income taxes	37,727	31,007
Other	73,747	63,218
Less allowance for doubtful accounts	(218)	(486)
<b>Total investments and other assets</b>	<b>292,755</b>	<b>289,525</b>
<b>Total noncurrent assets</b>	<b>843,717</b>	<b>818,742</b>
<b>Total assets</b>	<b>2,413,035</b>	<b>2,634,748</b>

(¥ millions)

	As of January 31, 2019	As of January 31, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable, accounts payable for construction contracts	94,001	125,955
Electronically recorded obligations-operating	53,427	93,594
Short-term loans	239,472	166,486
Short-term bonds	20,000	15,000
Current portion of long-term loans payable	64,303	18,693
Accrued income taxes	33,008	30,980
Advances received on construction projects in progress	156,605	241,805
Accrued employees' bonuses	25,527	27,939
Accrued directors' and corporate auditors' bonuses	1,477	1,523
Provision for warranties for completed construction	2,788	3,352
Other	90,706	96,535
<b>Total current liabilities</b>	<b>781,318</b>	<b>821,866</b>
<b>Long-term liabilities</b>		
Bonds payable	215,000	200,000
Long-term loans payable	94,006	178,928
Guarantee deposits received	60,701	59,164
Deferred income taxes	1,090	2,179
Accrued retirement benefits for directors and corporate auditors	1,060	1,107
Liabilities for retirement benefits	49,988	49,414
Other	12,946	15,236
<b>Total long-term liabilities</b>	<b>434,794</b>	<b>506,030</b>
<b>Total liabilities</b>	<b>1,216,112</b>	<b>1,327,897</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	202,591	202,591
Capital surplus	251,563	258,994
Retained earnings	700,949	786,591
Less treasury stock, at cost	(4,215)	(13,668)
<b>Total shareholders' equity</b>	<b>1,150,888</b>	<b>1,234,509</b>
<b>Accumulated other comprehensive income</b>		
Net unrealized holding gain on securities	33,146	39,894
Deferred (loss) gain on hedges	(56)	(60)
Translation adjustments	21,269	11,174
Retirement benefits liability adjustments	(22,440)	(19,322)
<b>Total accumulated other comprehensive income</b>	<b>31,919</b>	<b>31,686</b>
Stock subscription rights	803	609
Non-controlling interests	13,312	40,044
<b>Total net assets</b>	<b>1,196,923</b>	<b>1,306,850</b>
<b>Total liabilities and net assets</b>	<b>2,413,035</b>	<b>2,634,748</b>

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**(Consolidated Statements of Income)**

(¥ millions)

	Feb. 1, 2018 – Jan. 31, 2019	Feb. 1, 2019 – Jan. 31, 2020
Net sales	2,160,316	2,415,186
Cost of sales	1,715,719	1,937,150
Gross profit	444,596	478,036
Selling, general and administrative expenses		
Selling expenses	54,228	55,082
General and administrative expenses	201,145	217,697
Total selling, general and administrative expenses	255,373	272,780
Operating income	189,223	205,256
Non-operating income		
Interest income	2,103	3,694
Dividends income	1,924	2,093
Foreign exchange gain	-	716
Equity in earnings of affiliates	7,750	10,483
Other	3,267	3,612
Total non-operating income	15,046	20,601
Non-operating expenses		
Interest expenses	4,722	4,915
Foreign exchange loss	553	-
Other	3,802	7,036
Total non-operating expenses	9,078	11,952
Ordinary income	195,190	213,905
Extraordinary income		
Gain on step acquisitions	-	8,598
Gain on sales of shares of subsidiaries and affiliates	181	3,640
Gain on sales of investments in securities	3,094	718
Total extraordinary income	3,275	12,956
Extraordinary loss		
Loss on impairment of fixed assets	9,392	13,552
Loss on sales or disposal of fixed assets	1,606	1,492
Loss on sales of investments in securities	72	434
Loss on revaluation of investments in securities	2	-
Total extraordinary losses	11,074	15,479
Profit before income taxes	187,392	211,383
Income taxes-current	51,300	60,197
Income taxes-deferred	6,473	2,656
Total income taxes	57,774	62,853
Profit	129,618	148,529
Profit attributable to non-controlling interests	1,035	7,273
Profit attributable to owners of parent	128,582	141,256



**(Consolidated Statements of Comprehensive Income)**

(¥ millions)

	Feb. 1, 2018 – Jan. 31, 2019	Feb. 1, 2019 – Jan. 31, 2020
Profit attributable to owners of parent	129,618	148,529
Other comprehensive income (loss)		
Net unrealized holding gain on securities	(15,001)	4,052
Translation adjustments	(28,303)	(10,152)
Retirement benefits liability adjustments	(38,655)	3,222
Share of other comprehensive gain (loss) of affiliates accounted for by the equity method	(965)	(450)
Total other comprehensive income	(82,926)	(3,327)
Comprehensive income	46,691	145,202
Comprehensive income attributable to		
Owners of the parent	45,694	137,637
Non-controlling interests	997	7,564

**(3) Consolidated Statements of Changes in Net Assets**

Previous consolidated fiscal year (February 1, 2018 to January 31, 2019)

(¥ millions)

	Equity capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Shareholders' equity
Balance at the end of previous period	202,591	251,563	626,961	(948)	1,080,167
Cumulative effects of changes in accounting policies	-	-	-	-	-
Restated balance	202,591	251,563	626,961	(948)	1,080,167
Changes of items during the period					
Cash dividends	-	-	(54,532)	-	(54,532)
Profit attributable to owners of parent	-	-	128,582	-	128,582
Purchases of treasury stock	-	-	-	(3,376)	(3,376)
Sales of treasury stock	-	-	(61)	109	47
Purchase of shares of consolidated subsidiaries	-	-	-	-	-
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	-	-	73,988	(3,267)	70,721
Balance at the end of current period	202,591	251,563	700,949	(4,215)	1,150,888

	Accumulated other comprehensive income					Stock subscription rights	Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance at the end of previous period	48,033	(68)	50,677	16,166	114,807	761	12,384	1,208,121
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	-
Restated balance	48,033	(68)	50,677	16,166	114,807	761	12,384	1,208,121
Changes of items during the period								
Cash dividends	-	-	-	-	-	-	-	(54,532)
Profit attributable to owners of parent	-	-	-	-	-	-	-	128,582
Purchase of treasury stock	-	-	-	-	-	-	-	(3,376)
Sales of treasury stock	-	-	-	-	-	-	-	47
Purchase of shares of consolidated subsidiaries	-	-	-	-	-	-	-	-
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	-	-	-	-	-	-
Net changes of items other than shareholders' equity	(14,886)	12	(29,407)	(38,606)	(82,888)	41	927	(81,919)
Total changes of items during the period	(14,886)	12	(29,407)	(38,606)	(82,888)	41	927	(11,197)
Balance at the end of current period	33,146	(56)	21,269	(22,440)	31,919	803	13,312	1,196,923

## Current consolidated fiscal year (February 1, 2019 to January 31, 2020)

(¥ millions)

	Equity capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Shareholders' equity
Balance at the end of previous period	202,591	251,563	700,949	(4,215)	1,150,888
Cumulative effects of changes in accounting policies	-	-	(304)	-	(304)
Restated balance	202,591	251,563	700,645	(4,215)	1,150,584
Changes of items during the period					
Cash dividends	-	-	(55,077)	-	(55,077)
Profit attributable to owners of parent	-	-	141,256	-	141,256
Purchase of treasury stock	-	-	-	(10,012)	(10,012)
Sales of treasury stock	-	-	(232)	559	327
Purchase of shares of consolidated subsidiaries	-	308	-	-	308
Change in ownership interest of parent due to transactions with non-controlling interests	-	7,122	-	-	7,122
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	-	7,430	85,946	(9,452)	83,925
Balance at the end of current period	202,591	258,994	786,591	(13,668)	1,234,509

	Accumulated other comprehensive income					Stock subscription rights	Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance at the end of previous period	33,146	(56)	21,269	(22,440)	31,919	803	13,312	1,196,923
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	(304)
Restated balance	33,146	(56)	21,269	(22,440)	31,919	803	13,312	1,196,619
Changes of items during the period								
Cash dividends	-	-	-	-	-	-	-	(55,077)
Profit attributable to owners of parent	-	-	-	-	-	-	-	141,256
Purchase of treasury stock	-	-	-	-	-	-	-	(10,012)
Sales of treasury stock	-	-	-	-	-	-	-	327
Purchase of shares of consolidated subsidiaries	-	-	-	-	-	-	-	308
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	-	-	-	-	-	7,122
Net changes of items other than shareholders' equity	6,747	(4)	(10,095)	3,118	(233)	(193)	26,732	26,306
Total changes of items during the period	6,747	(4)	(10,095)	3,118	(233)	(193)	26,732	110,231
Balance at the end of current period	39,894	(60)	11,174	(19,322)	31,686	609	40,044	1,306,850

**(4) Consolidated Statements of Cash Flows**

(¥ millions)

	Feb. 1, 2018 – Jan. 31, 2019	Feb. 1, 2019 – Jan. 31, 2020
Cash flows from operating activities		
Profit before income taxes	187,392	211,383
Depreciation and amortization	22,155	21,518
Loss on impairment of fixed assets	9,392	13,552
Increase (decrease) in liability for retirement benefits	(9,410)	550
Increase in asset for retirement benefits	(3,383)	(1,567)
Interest and dividend income	(4,027)	(5,788)
Interest expense	4,722	4,915
Equity in earnings of affiliates	(7,750)	(10,483)
Loss(Gain) on step acquisitions	-	(8,598)
Loss (gain) on sales of investment securities	(3,021)	(283)
Loss (gain) on valuation of investments in securities	2	-
Gain on sales of shares of subsidiaries and affiliates	(181)	(3,640)
Decrease (increase) in notes and accounts receivable-trade	3,158	(18,176)
Decrease (increase) in inventories	4,850	161,677
Increase (decrease) in notes and accounts payable-trade	(29,518)	(13,523)
Increase (decrease) in advances received on construction projects in progress	14,817	71,973
Other, net	(15,864)	6,083
Subtotal	173,334	429,592
Interest and dividends income received	8,769	8,794
Interest expenses paid	(6,522)	(6,440)
Income taxes paid	(50,492)	(68,180)
Net cash provided by (used in) operating activities	125,088	363,766
Cash flows from investing activities		
Proceeds from sales of short-term investments	589	-
Purchase of property, plant and equipment	(53,877)	(66,622)
Proceeds from sales of property, plant and equipment	4,467	413
Purchases of investments in securities	(5,966)	(10,644)
Proceeds from sales and redemption of investments in securities	5,831	8,627
Increase in loans receivable	(219)	(955)
Collection of loans receivable	1,431	6,927
Other, net	(22,441)	(2,974)
Net cash provided by (used in) investing activities	(70,184)	(65,229)
Cash flows from financing activities		
Increase (decrease) in short-term loans, net	44,221	(70,523)
Proceeds from long-term debt	48,689	88,130
Repayment of long-term debt	(50,806)	(62,354)
Redemption of bonds	(15,000)	(20,000)
Cash dividends paid	(54,532)	(55,077)
Purchases of treasury stock	(3,374)	(10,012)
Purchase of treasury shares of subsidiaries	-	(7,930)
Purchase of shares of subsidiary that do not result in change in scope of consolidation	-	(1,709)
Other, net	(227)	(8,683)

	(¥ millions)	
	Feb. 1, 2018 – Jan. 31, 2019	Feb. 1, 2019 – Jan. 31, 2020
Net cash provided by (used in) financing activities	(31,030)	(148,160)
Effect of exchange rate changes on cash and cash equivalents	(5,668)	(3,959)
Net increase (decrease) in cash and cash equivalents	18,205	146,417
Cash and cash equivalents at beginning of period	324,693	342,898
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	93,981
Cash and cash equivalents at end of period	342,898	583,297

## (5) Notes to Consolidated Financial Statements (Notes Regarding Assumption of Going Concerns)

Not applicable

### (Changes in accounting policies)

(Adoption of ASU2014-09 “Revenue from Contracts with Customers.”)

Overseas subsidiaries adopting U.S. GAAP have adopted ASU2014-09 “Revenue from Contracts with Customers” (May 28, 2014) from the beginning of the first quarter of the consolidated fiscal year under review.

Due to the adoption of ASU2014-09, revenue is recognized at the time the promised goods or services are transferred to the customer, in an amount that reflects the consideration expected to be received in exchange for the goods or services.

The impact on the consolidated statement of income for the current consolidated fiscal year under review is immaterial.

(Adoption of IFRS16 “Leases”)

Overseas subsidiaries adopting the International Financial Reporting Standards (“IFRS”) have adopted IFRS16 “Leases” (January 13, 2016) from the first quarter of the consolidated fiscal year under review.

Due to the adoption, the Company principally recognizes assets and liabilities of lease as a lessee.

The impact on the consolidated statement of income for the current consolidated fiscal year under review is immaterial.

### (Change in presentation method)

(Adoption of the “Partial Amendments to Accounting Standard for Tax Effect Accounting,” etc.)

The Company has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 on February 16, 2018), etc. from the beginning of the first quarter of the consolidated fiscal year under review. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in long-term liabilities.

## (Notes to Consolidated Statements of Income)

### (1) Loss on impairment of fixed assets

Impairment loss of the following group of assets was recorded.

Previous consolidated fiscal year (February 1, 2018 – January 31, 2019)

Location	Usage	Type
Nakamura-ku, Nagoya City, etc.	Real estate for leasing, etc.	Buildings and land, etc.

The Sekisui House Group recognizes impairment loss by grouping investment properties by project and grouping other assets by operating unit, which allow us to manage gains and losses in a rational manner. As a result, for the group of real estate for leasing, the book value was impaired down to the recoverable value, and this decrease was recorded as impairment loss under “Extraordinary loss.”

(Breakdown of impairment loss)

Type	Amount (¥ millions)

Buildings and structures	1,071
Machinery and equipment	415
Land	7,874
Other	31
Total	9,392

For these assets, the Company calculates the recoverable value of the relevant assets based on their use value or net selling prices. The use value is determined based on future cash flows, and the net selling price is determined based on the real estate appraisal value and other.

Current consolidated fiscal year (February 1, 2019 – January 31, 2020)

Location	Usage	Type
Shenyang, Heping, China, etc.	Real estate for leasing, etc.	Buildings and land, etc.

The Sekisui House Group recognizes impairment loss by grouping investment properties by project and grouping other assets by operating unit, which allow us to manage gains and losses in a rational manner. As a result, for the group of real estate for leasing, the book value was impaired down to the recoverable value, and this decrease was recorded as impairment loss under “Extraordinary loss.”

(Breakdown of impairment loss)

Type	Amount (¥ millions)
Buildings and structures	9,841
Machinery and equipment	47
Land	2,212
Other	1,451
Total	13,552

For these assets, the Company calculates the recoverable value of the relevant assets based on their use value or net selling prices. The use value is determined based on future cash flows, and the net selling price is determined based on the real estate appraisal value and other.

## (Segment Information)

### Segment Information

#### 1. Summary of reportable segments

The reportable segments of the Sekisui House Group are its constituent units for which separate financial information is obtained and examined on a regular basis by its manager to determine the allocation of management resources and evaluate business performance.

The Sekisui House Group operates comprehensive housing businesses as a proactive creator of comfortable living environments. To achieve sustainable growth by optimizing its management resources, the Group has established business domains. Each domain operates by developing its own business strategies.

Consequently, the Group comprises segments based on the products and services provided by each business domain. The Group considers the Custom Detached Houses Business, the Rental Housing Business, the Remodeling Business, the Real Estate Management Fees Business, the Houses for Sale Business, the Condominiums Business, the Urban Redevelopment Business, and the Overseas Business, excluding Other Businesses, as its reportable segments.

Details of the reportable segments are as follows:

Custom Detached Houses Business:	Designing, constructing, and contracting for sale detached houses
Rental Housing Business:	Designing, constructing, and contracting for sale rental housing, medical and nursing care facilities, and other buildings
Remodeling Business:	Renovating housing
Real Estate Management Fees Business:	Leasing, managing, maintaining, and brokering real estate.
Houses for Sale Business:	Selling houses and real estate, and designing, constructing, and

	contracting for sale houses on residential land for sale
Condominiums Business:	Selling condominiums
Urban Redevelopment Business:	Developing office buildings, commercial facilities, and other facilities, and managing and maintaining its own properties
Overseas Business:	Contracting for sale detached houses, sells houses and real estate, and develops facilities, including condominiums and commercial facilities, in overseas markets

2. Method of calculation for sales, income and loss, asset, liabilities and other items by each segment

The accounting treatment used for all reporting segments is basically the same as that stated in “Basic Important Matters for Preparation of Consolidated Financial Statements.”

## 3. Segment information on sales, income or loss, assets, liabilities and other items by reporting segment

Previous consolidated fiscal year (February 1, 2018 to January 31, 2019)

(¥ million)

	Reportable Business Segments						
	Custom Detached Houses	Rental Housing	Remodeling	Real Estate Management Fees	Houses for Sale	Condominiums	Urban Redevelopment
Sales							
(1) Sales to third parties	357,944	416,062	141,416	514,035	148,880	89,581	173,391
(2) Inter-group sales and transfers	-	3,217	178	3,207	-	-	105
Net sales	357,944	419,279	141,594	517,243	148,880	89,581	173,497
Operating income (loss)	42,255	50,376	21,109	39,407	11,088	6,478	40,403
Assets	57,414	47,309	16,847	138,015	141,446	173,102	539,327
Other items							
Depreciations	3,899	2,463	116	756	1,108	14	8,419
Net increase in property, plant and equipment, and intangible assets	3,734	1,193	21	1,394	788	25	45,603

	Reportable Business Segments		Other Businesses (Note: 1)	Total	Adjustments (Note:2)	Amounts on the consolidated financial statements (Note: 3)
	Overseas Business	Total				
Sales						
(1) Sales to third parties	245,953	2,087,265	73,050	2,160,316	-	2,160,316
(2) Inter-group sales and transfers	-	6,708	5,799	12,507	(12,507)	-
Net sales	245,953	2,093,974	78,850	2,172,824	(12,507)	2,160,316
Operating income (loss)	16,340	227,459	(44)	227,415	(38,192)	189,223
Assets	943,695	2,057,159	15,172	2,072,331	340,703	2,413,035
Other items						
Depreciations	1,848	18,628	769	19,397	2,757	22,155
Net increase in property, plant and equipment, and intangible assets	921	53,683	175	53,858	4,821	58,680

1. Other Businesses principally include the exterior business.

2. Adjustments are as follows:

(1) An adjustment of ¥38,192 million for segment income includes an elimination of inter-segment transactions of ¥3,114 million and corporate expenses of ¥35,077 million that have not been allocated to each segment. Corporate expenses mainly include selling, general and administration expenses and experiment and research expenses that do not belong to any reportable segments.



(2) An adjustment of ¥340,703 million for assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and short-term investment securities), long-term investment funds (investment securities) and assets of the administration division.

(3) An adjustment of ¥2,757 million for depreciation and amortization is depreciation related to corporate assets.

(4) An adjustment of ¥4,821 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

3. Operating income (loss) by business segment is adjusted to correspond to operating income in the consolidated statements of income.

Current consolidated fiscal year (February 1, 2019 to January 31, 2020)

(¥ million)

	Reportable Business Segments						
	Custom Detached Houses	Rental Housing	Remodeling	Real Estate Management Fees	Houses for Sale	Condominiums	Urban Redevelopment
Sales							
(1) Sales to third parties	390,995	410,622	152,729	534,876	151,268	103,984	131,920
(2) Inter-group sales and transfers	-	3,884	306	3,058	-	-	141
Net sales	390,995	414,507	153,036	537,935	151,268	103,984	132,061
Operating income	45,942	48,938	23,535	41,054	12,259	10,134	17,045
Assets	58,049	41,173	17,948	125,341	133,647	143,006	518,532
Other items							
Depreciations	3,727	2,131	141	704	980	10	7,645
Net increase in property, plant and equipment, and intangible assets	3,209	614	41	1,397	725	23	60,155

	Reportable Business Segments		Other Businesses (Note: 1)	Total	Adjustments (Note:2)	Amounts on the consolidated financial statements (Note: 3)
	Overseas Business	Total				
Sales						
(1) Sales to third parties	389,866	2,266,264	148,922	2,415,186	-	2,415,186
(2) Inter-group sales and transfers	-	7,391	6,534	13,926	(13,926)	-
Net sales	389,866	2,273,656	155,457	2,429,113	(13,926)	2,415,186
Operating income	44,551	243,461	4,229	247,690	(42,434)	205,256
Assets	990,247	2,027,946	232,491	2,260,438	374,309	2,634,748
Other items						
Depreciations	2,242	17,583	1,077	18,660	2,858	21,518
Net increase in property, plant and equipment, and intangible assets	1,975	68,142	350	68,493	4,761	73,255

## Notes

1. Other Businesses principally include the exterior business.
2. Adjustments are as follows:
  - (1) An adjustment of ¥42,434 million for segment income (loss) includes an elimination of inter-segment transactions of ¥2,961 million and corporate expenses of ¥39,472 million that have not been allocated to each segment. Corporate expenses mainly include selling, general and administration expenses and experiment and research expenses that do not belong to any reportable segments.
  - (2) An adjustment of ¥374,309 million for assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and short-term investment securities), long-term investment funds (investment securities) and assets of the administration division.
  - (3) An adjustment of ¥2,858 million for depreciation and amortization is depreciation related to corporate assets.
  - (4) An adjustment of ¥4,761 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.
3. Operating income (loss) by business segment is adjusted to correspond to operating income in the consolidated statements of income.

**(Per Share Information)**

	Feb. 1, 2018 – Jan. 31, 2019	Feb. 1, 2019 – Jan. 31, 2020
Net assets per share	¥1,718.82	¥1,852.62
Profit per share	¥186.53	¥205.79
Fully diluted Profit per share	¥186.29	¥205.57

## (Note) Basis for Calculation

## 1. Net assets per share

¥ millions, except where noted	As of January 31, 2019	As of January 31, 2020
Net assets recorded on balance sheet	1,196,923	1,306,850
Difference between net assets in consolidated balance sheet and net assets attributable to ordinary shares	14,115	40,654
Subscription rights to shares	803	609
Minority interests	13,312	40,044
Net assets attributable to ordinary shares	1,182,808	1,266,195
Number of ordinary shares outstanding (1,000 shares)	690,683	690,683
Number of ordinary shares held in treasury (1,000 shares)	2,531	7,222
Number of ordinary shares used to calculate shareholders' equity per share (1,000 shares)	688,151	683,461

## 2. Profit per share and fully diluted income per share

¥ millions, except where noted	Previous fiscal year (Feb. 1, 2018 - Jan. 31, 2019)	Current fiscal year (Feb. 1, 2019 - Jan. 31, 2020)
Profit per share		
Profit attributable to owners of parent	128,582	141,256
Amount not attributable to ordinary shares	-	-
Profit attributable to ordinary shares	128,582	141,256
Average number of ordinary shares outstanding during period (1,000 shares)	689,337	686,401
Fully diluted profit per share		
Adjustment to profit attributable to owners of parent	-	-
Number of ordinary shares increased (shares)		
Subscription rights to shares	894	741

Overview of residual securities not included in the calculation of fully diluted profit per share as they have no dilutive effect	-	-
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### (Significant Subsequent Event)

#### (Cancellation of Treasury Stock)

At the Board of Directors meeting held on March 5, 2020, the Company resolved to cancel treasury stock pursuant to Article 178 of the Corporate Act.

##### (1) Reason for share cancellation

To enhance the asset efficiency and the shareholder value through the reduction in the number of outstanding shares

##### (2) Method of share cancellation

Reduction in retained earnings

##### (3) Class of shares to be cancelled

Common stock

##### (4) Number of shares to be cancelled

6,000,000 shares (0.87% of total outstanding shares)

##### (5) Scheduled date of cancellation

April 24, 2020

##### (6) Total number of outstanding shares after cancellation

684,683,466 shares

The above cancellation of treasury stock is subject to the approval on the reversal of general reserves the Company will seek to obtain at the general meeting of shareholders of the Company, to be held on April 23, 2020.

#### (Share Repurchase)

At the Board of Directors meeting held on March 5, 2020, the Company resolved to acquire its own shares under the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165 (3) of the Companies Act.

##### (1) Reason for share repurchase

To implement flexible capital policies in accordance with the business environment and to improve capital efficiency to increase shareholder value

##### (2) Type of shares

Common stock of Sekisui House, Ltd.

##### (3) Aggregate number of shares to be repurchased

Up to 7,000,000 shares

##### (4) Aggregate price of shares to be repurchased

Up to 15,000 million yen

##### (5) Period for share repurchase

From March 6, 2020 to January 31, 2021

##### (6) Method of share repurchase

Market purchases (including Off-Auction Own Share Repurchase Trading (N-NET3) of the Nagoya Stock Exchange)