



SEKISUI HOUSE, LTD.

The 71st Interim Report

2021.02.01 > 2021.07.31

BUSINESS REPORT

Top Message

Yoshihiro Nakai

President &
Executive Officer,
CEO



Pursuing happy homes to achieve sustainable growth. We will promote internal innovation to enhance corporate value.

I would like to express my sincere condolences to the families and friends of loved ones who have been lost to COVID-19. I also extend my deepest sympathies to those with the disease and everyone whose lives have been affected by the pandemic. Sekisui House is determined to do its best to contribute to the development of society while continuing to take the steps necessary to prevent the spread of infection.

Due to the pandemic, the future of the economy remains uncertain. Regardless, results and orders received at Sekisui House remain strong. We have scrupulously provided high value-added, superior quality and leading technology and proposed new lifestyles based on research into life at home. Under the current circumstances, the appeal of these activities has increased.

The COVID-19 pandemic has changed people's lifestyles and generated new housing-related needs. Sekisui House pursues the Platform House Concept, under which services focusing on health, connectedness and learning are provided. We believe that we can solve social issues by incorporating a variety of technologies, information, and environments etc., into homes to create new desired value at home. We think is our mission.

The development of business with happiness as the key word has earned the sympathy of stakeholders and led to strong results. This has redoubled our motivation.

Under the slogan "Innovation and Communication," which is the driving force behind us deepening ourselves and taking on challenges, we have reformed our corporate culture so that each individual employee is able to produce even greater results. Sekisui House will undertake group-wide initiatives and strongly advance growth strategies focused on housing. We continue to strive to expand business opportunities and enhance corporate value. We hope you look forward to this.

Question 1

Results in the housing business, the core business, are strong.**What are your views on the reasons for this? What is your outlook?**

People have more opportunities and time to think about homes and to discuss homes with their families. This has increased purchases of homes and motivation for remodeling and has expanded the market. The Family Suite accounts for a large percentage of Sekisui House's sales. Families being able to appropriately distance themselves and be connected with each other in a large space without any partitions is an idea that is well received by many customers during the COVID-19 pandemic and in anticipation of a time where the virus has become endemic. The SMART-ECS, the next-generation indoor environment system, is also very popular.

In August this year, five Sumai-no-Yume-Kojo housing theme parks nationwide were renovated to become Tomorrow's Life Museums and opened. They are museums where families can have a hands-on experience and enjoy themselves leisurely, thinking about happy homes.

Proposing solutions that flexibly respond to individual lifestyles and a wide range of needs and providing high added value are the greatest weapons that Sekisui House has, and the source of its competitiveness, which stays focused on medium- to high-end products. These activities, we believe, will increase profitability.

Question 2

With the establishment of the new normal created by the COVID-19 pandemic, the success of COVID-19 vaccination, and the resumption of economic activity, what direction will Sekisui House go in?

We integrate technologies, lifestyle design and services to evolve the home into a platform for happiness. We will not change this policy. As a new initiative, we have launched Platform House touch, a smart home service. Platform House touch enables users to examine and operate housing equipment when they are not at home using a smartphone app that they can operate intuitively by viewing a layout diagram in a secure environment not connected directly to the Internet. We will accumulate a variety of living environment data and provide new services based on this data to customers.

Expanding sales of ZEH rental housing, a field where Sekisui House has an overwhelming advantage, is also a priority of ours as a company aiming to become a leading company in ESG management. Under the policy of putting residents first, we have given solid advantages to owners, including high occupancy rates and investment yields.

In the United States, as in Japan, we are trying to sell homes emphasizing proposals that take advantage of the tail wind generated by public spending and low interest rates.

As a partner in the promotion of happiness in the era of the 100-year lifespan that supports the lives of residents, the Sekisui House Group will continue to go its own way.

Question 3

Innovation and Communication.**What progress have you made? What results have you achieved? What is your outlook?**

We have achieved strong results in a challenging environment underpinned by Innovation and Communication. I feel that organic growth owing to employees' ingenuity and the delegation of authority has increased Sekisui House's strength overall. The enhancement of overall strength has successively generated new plans. One innovation leads to the next innovation. A virtuous cycle has been created where employees inspire each other and move in the same direction.

To accelerate this cycle, we have changed the in-house commendation system. With the creation of the commendation system that encourages innovation and has emergent properties, we will seek to create a virtuous circle of future-oriented innovation and enhancement of corporate value.

The housing stock in Japan is greater than the number of households. We can say that Japan has quantitatively sufficient housing units. To put it another way, we have completely entered an age where the quality of housing is pursued. This is when Sekisui House will be able to play a role in making home the happiest place in the world. The entire Group will promote innovation and provide value that makes residents happy. We will use our strengths to solve social problems. These are the most important reasons for our existence.

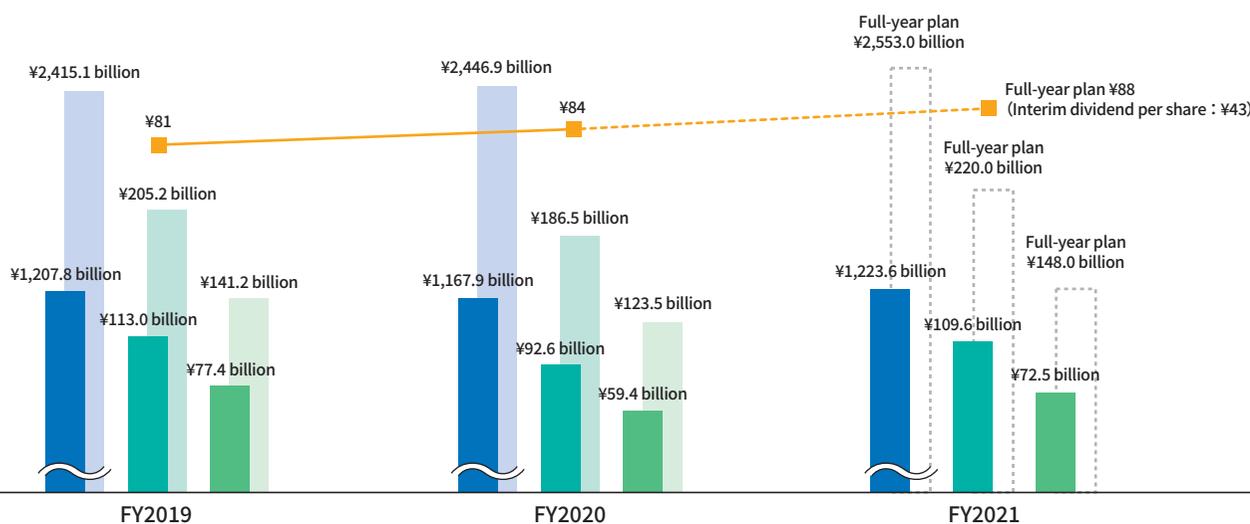
Performance Report

Consolidated Financial Results Highlights

Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Total number of houses built
YoY +4.8%	YoY +18.4%	YoY +22.8%	YoY +22.1%	Increased 18,363 units from the end of the previous fiscal year.
¥ 1,223.6 billion	¥ 109.6 billion	¥ 111.3 billion	¥ 72.5 billion	2,524,961 units

In the first half of FY2021, we continued to face a challenging business environment chiefly due to the COVID-19 pandemic. However, our business strategy was successful in responding to the growing interest in housing resulting from changes in lifestyles. Net sales stood at ¥1,223.6 billion, a record high in the first half. Profit margins improved, and operating income rose a hefty 18% year on year, to ¥109.6 billion. In light of the considerable results and strong orders in Japan and overseas, we have revised full-year net sales and operating income plans upward to ¥2,553.0 billion and ¥220.0 billion, respectively. We plan to increase the initially planned year-end dividend per share by ¥2 and pay an annual dividend per share of ¥88, up ¥4 year on year.

Net sales (■ First half ■ Full-year) Operating income (■ First half ■ Full-year) Profit attributable to owners of parent (■ First half ■ Full-year) ■ Full-year dividend



Balance Sheet

	(Billions of yen)	
	As of January 31, 2021	As of July 31, 2021
Current assets	1,780.7	1,867.0
Noncurrent assets	845.1	843.6
Total assets	2,625.8	2,710.7
Current liabilities	835.7	829.0
Long-term liabilities	421.2	435.9
Total liabilities	1,256.9	1,264.9
Net assets	1,368.8	1,445.7
Total liabilities and net assets	2,625.8	2,710.7

Cash Flows

	(Billions of yen)	
	2nd quarter of FY2020	2nd quarter of FY2021
Cash and cash equivalents at beginning of period	583.2	600.2
Net cash provided by operating activities	39.7	75.4
Net cash used in investing activities	(40.8)	(39.8)
Net cash used in financing activities	(33.2)	(58.8)
Effect of exchange rate changes on cash and cash equivalents	(4.9)	14.0
Cash and cash equivalents at end of period	544.0	593.1

Built-to-order business

(Billions of yen)

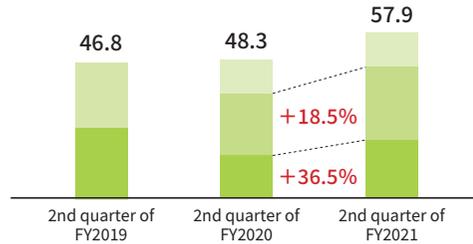
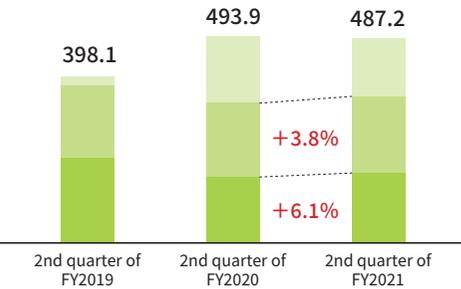
Net sales

Net sales increased, reflecting strong orders and good construction progress made in both the custom detached houses and rental housing businesses. Net sales in the architectural/civil engineering business fell in reaction to sales of large properties in the previous fiscal year.

Operating income

Profit margins improved in each business. The unit price rose, and operating income increased in both the custom detached houses and rental housing businesses, reflecting the promotion of added value proposals. Operating income in the architectural/civil engineering business was on a par with the level of the previous fiscal year.

■ Custom detached houses ■ Rental housing ■ Architectural/Civil engineering



Supplied housing business

(Billions of yen)

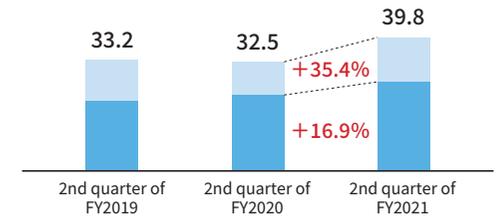
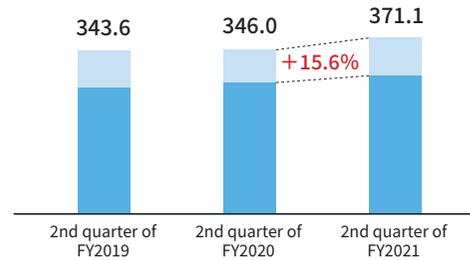
Net sales

Net sales from real estate management fees and remodeling businesses both increased. Sales from proposal-based remodeling in response to changes in lifestyles and environment-based remodeling, including energy-saving remodeling, increased significantly.

Operating income

In the remodeling business, profit margins continued to improve due to an increase in the ratio of orders for large properties, among other reasons, and operating income rose. In the real estate management fees business, operating income also increased as the occupancy rate and rent remained high.

■ Real estate management fees ■ Remodeling



Development business

(Billions of yen)

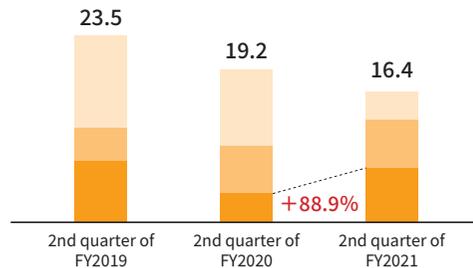
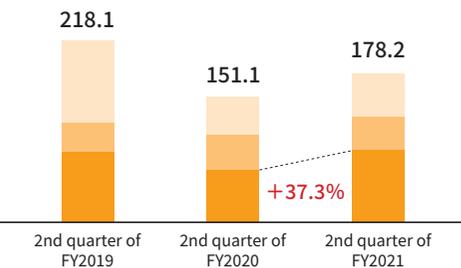
Net sales

Net sales in the houses for sale business rose significantly, chiefly reflecting continued purchases of good land in response to strong demand. The condominiums business and the urban redevelopment business both performed largely in line with expectations.

Operating income

Operating income in the houses for sale business increased, reflecting a rise in net sales and an improvement in profit margin due to the promotion of added value proposals. Operating income in the urban redevelopment business fell due to a difference in the profit margin of sales of properties between this fiscal year and the previous fiscal year.

■ Houses for sale ■ Condominiums ■ Urban redevelopment



Overseas business

(Billions of yen)

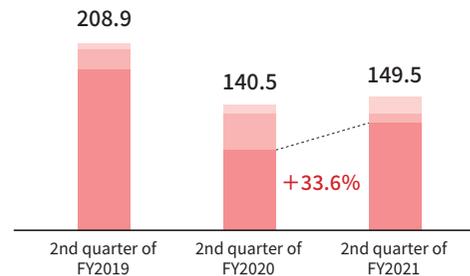
Net sales

Net sales increased, reflecting strong results in the homebuilding business and the master-planned community business in the United States against a backdrop of strong housing demand. Australia and China were both in line with expectations.

Operating income

Profit margin improved as net sales, including sales of properties, increased in the United States, where operating income rose significantly, up ¥9.2 billion year on year.

■ U.S.A ■ China ■ Australia ■ Others





Special Feature

Ethical Housing Supporting Decarbonization

Residents and owners are satisfied; Sha Maison ZEH taps new demand

We are using the knowledge developed in the custom detached houses business, where we first engaged in environmentally conscious initiatives, in the rental housing business.

The subject of the special feature is Sha Maison ZEH, which contributes to the achievement of a decarbonized society.

Being ethical includes consideration of the global environment, people, society, and communities. ZEH is an abbreviation of the Net Zero Energy House. A ZEH is a house where the net energy usage is designed to be zero, with energy usage being reduced and offset by energy conservation and generation.

Carbon neutrality target and the deeper penetration of ethical consumption

There has been a slower penetration of ZEH in rental housing than in custom detached houses. It is a new option for curbing utility costs and CO₂ emissions.

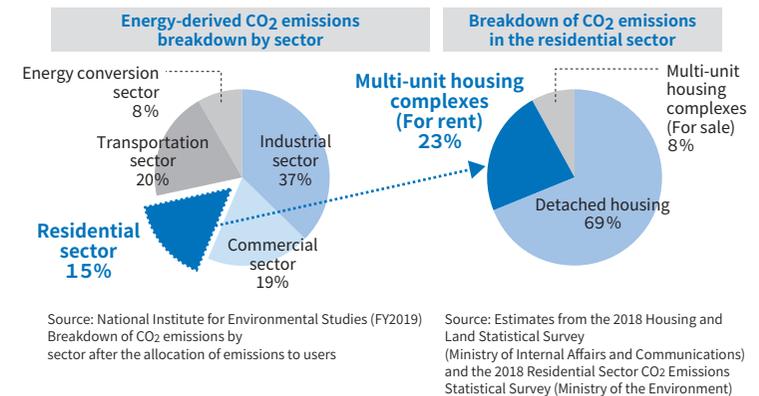
On October 26, 2020, Prime Minister Suga declared in his policy speech at an extraordinary session of the Diet that Japan will achieve net zero greenhouse gas emissions, or carbon neutrality, by 2050. This is a challenging target for Japan, which emits more than 1.2 billion tons of greenhouse gases annually. Breaking down Japan's CO₂ emissions, the household sector accounts for 15% of emissions. In the rental housing sector, which accounts for 23% of the household sector's emissions, the penetration of ZEH for decarbonization is much slower than in the custom detached houses sector. The reason for this slow penetration is that the owners of rental housing tend to curb initial investments so that they are able to recover their investment quickly. This attitude is changing, reflecting the move towards a decarbonized society.

Looking at consumption behavior, society's awareness of itself and the environment, including the environmental damage caused by waste plastics and food waste, is increasing. This is true particularly among millennials who were born between 1980 and 1995, and generation Z, who were born in and after 1996. The Consumer Affairs Agency's report on a 2019 consumer awareness survey on ethical consumption says that 36% of the respondents says they take ethical action. To a question about specific actions, the largest percentage of respondents, 86%, choose "Use of their own bags, chopsticks, cups, etc." More than 60% of respondents choose "Energy saving, including turning off lights when they are not used," "Reduction of food waste," and "Recycling activity and the purchase of recycled products." As the hours spent at home are increasing during the COVID-19 pandemic, interest in curbing utility costs is growing. Utility costs can be reduced 39% and CO₂ emissions can be reduced 93% by ZEH rental housing, compared with general rental housing. The ZEH rental housing may become a new option meeting the needs growing from ethical consumption.



On July 1, 2020, supermarkets and convenient stores started charging a fee for plastic shopping bags. An increasing number of shoppers use reusable shopping bags.

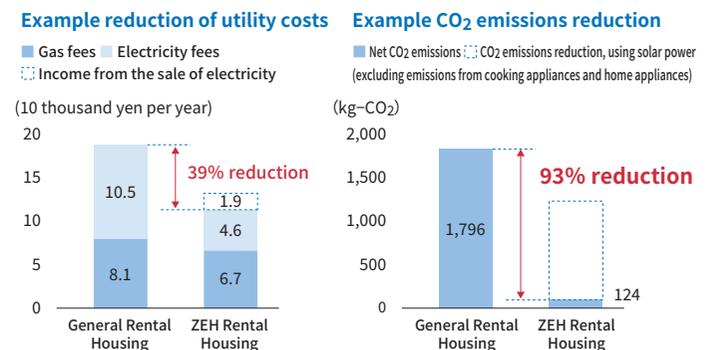
Percent of CO₂ emissions from the household sector and rental housing



Source: National Institute for Environmental Studies (FY2019)

Source: Estimates from the 2018 Housing and Land Statistical Survey (Ministry of Internal Affairs and Communications) and the 2018 Residential Sector CO₂ Emissions Statistical Survey (Ministry of the Environment)

Utility costs and CO₂ emissions of rental ZEH Note: Created based on our simulation



Generating and saving energy at Sha Maison ZEH



Solar power generation (generating energy)

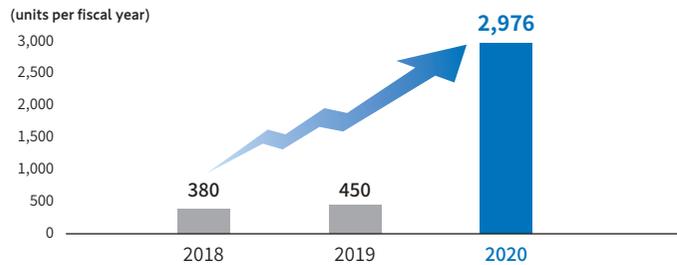


Energy management tablet (generating and saving energy)



Effect of heat insulation (saving energy)

Number of units ordered of Sha Maison ZEH



Survey results of Sha Maison ZEH residents

Resident satisfaction



Note: No respondents indicated “dissatisfied” or “very dissatisfied”

Reason for satisfaction (multiple answers)

■: Factors related to Sha Maison ZEH

Ranking	Reason for satisfaction after moving in	No. of replies	Ranking	Reason for satisfaction after moving in	No. of replies
1.	New construction appeals to me	189	9.	I like the appearance and the exterior	63
2.	I like the size and floor plan	123	9.	It has good thermal insulation	63
3.	Provides convenient access to transportation	116	11.	It has crime-prevention features.	58
4.	Utility costs are lower	114	12.	The neighborhood is good (park, view, etc.)	46
5.	Solar power is available	99	13.	It is energy-efficient and environment-friendly	42
6.	Located close to surrounding facilities (supermarkets, hospitals, schools, etc.)	98	14.	The rent is reasonable	39
7.	I like the interior	91	15.	Electricity is available even during a power outage	15
8.	The appliances seem convenient	88		Other	42

Note: From a survey of residents of a Sha Maison ZEH multi-unit building. (Total no. of respondents: 290)

Strongly promoting ZEH rental housing, using the knowledge developed in the ZEH custom detached houses business

We have received orders for more than 3,500 Sha Maison ZEH units, which meet ethical consumption needs, primarily for younger people.

In 1999, Sekisui House announced its Environmental Future Plan, ahead of our competitors. In 2008, we adopted 2050 Vision, whose goal is net zero CO₂ emissions throughout the entire lifecycle of our housing products by 2050. We have been seeking to create environmentally friendly homes since early on. Subsequently, we developed Green First ZERO, a high environmental performance ZEH custom detached houses. Since its launch in 2013, a total of 60,843 Green First ZERO units have been built (as of March 31, 2021), the largest number of detached ZEH homes in Japan.

Leveraging these achievements and our knowledge, we began building Sha Maison ZEH in 2017. The construction cost of rental ZEH buildings per unit is approximately ¥0.6 million higher than the cost of general rental housing. Owners will bear a greater expense. But at the same time, ZEH rental housing meets the ethical consumption needs of younger people, who are a large percentage of the residents of ZEH rental housing. Owners can thus set higher rents, which will increase the value of assets and improve management efficiency. Sha Maison ZEH wins high marks from residents. A survey of residents shows that they are highly satisfied, primarily with the lower utility costs and comfort.

Sekisui House puts residents-first and has promoted ZEH buildings where the net-zero energy standard applies to housing units, which benefit residents as well as owners, rather than ZEH buildings where the standard applies to the entire building including common areas, which benefits only owners. Our proposals therefor raise occupancy rates and underpin owners' long-term stable management of properties. We have steadily increased our results, and in FY2020, we received orders for 2,976 units. We achieved the target for the final year of the 5th Mid-Term Management Plan, 2,500 units, in the first year and have achieved a cumulative total of 3,500 units. Sha Maison ZEH accounts for the largest percentage of the total number of rental ZEH buildings in Japan, approximately 40%.

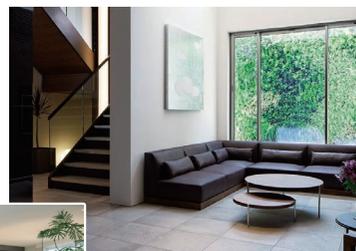
Sha Maison continues to create new value

Proposing rental housing in anticipation of the needs of society and the industry. Increasing the satisfaction of residents and contributing to owners' long-term stable management of properties.

Sekisui House's Sha Maison is a brand of rental housing that supports owners' stable management of their real estate. So that residents' lives are comfortable - now and always, Sha Maison buildings include features that are on the level of custom detached houses, including excellent earthquake resistance, sound insulation, heat insulation, high air quality, and security. We have achieved the quality that enables Sha Maison to continue to be chosen by potential residents, quality that is represented by the high-quality living spaces and the Hotel Like Style design in common-use areas, including internal corridors and entrance halls.

We analyze the needs of single-person households, couples, and families and regional characteristics to propose solutions to owners. We provide a wide range of support to owners to respond to their strong affection for their real estate and to pass value on to the next generation. A survey of tenants who are about to leave a property says that about 90% of tenants are fully satisfied with the exterior of the building and the layout. We always put residents- first, and as a result, maintain a high occupancy rate, 98.0% as of July 31, 2021.

Under our global vision, we identify ethical consumption needs and provide Sha Maison ZEH, which enables residents to live comfortably, reduces utility costs, and quickly responds to power outages. We propose new value for the future and contribute to owners' long-term stable management of their properties.



An entrance hall that gracefully welcomes visitors



A high-quality living space that pleases residents



BEREO, rental housing with heavy steel frame structures that is very strong and has a flexible design

Our Goals: The Sekisui House Global Vision

Make home the happiest place in the world



Become a global company that offers integrated proposals of technologies, lifestyle design and services, based on the residential domain

In November 2020, Sekisui House received the Grand Prize at the Reiwa 2nd Year Climate Change Action Minister of the Environment Awards sponsored by the Ministry of the Environment in recognition of its efforts to create a market for ZEH rental housing.



Business Domain

Aiming for improvement of earnings in four segments

The Sekisui House Group's Business Portfolio

Overseas business

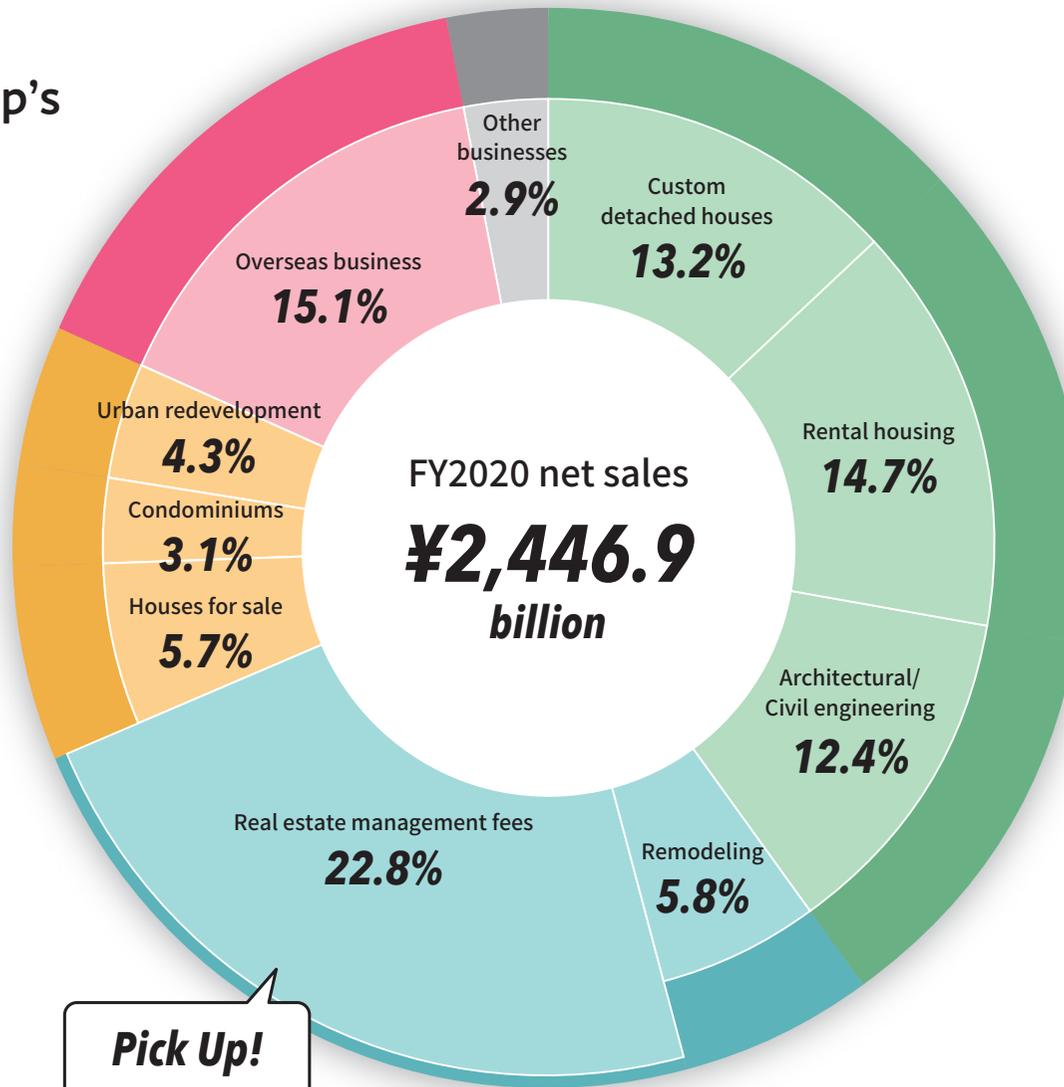
15.1% ¥370.6 billion

We will leverage the highest levels of quality and cutting-edge technologies achieved through its operations in Japan to develop new demand for houses overseas. We will roll out the SEKISUI HOUSE brand according to real estate market conditions in each country.

Development business

13.1% ¥321.1 billion

We will strive for high quality urban development by developing high-quality buildings with emphasis on community in attractive areas.



Built-to-order business

40.3% ¥984.9 billion

We will provide high value-added houses and commercial buildings on land owned by customers. We will contribute to the formation of high-quality social capital.

Supplied housing business

28.6% ¥698.7 billion

We will promote the establishment of a recycling-oriented society by seeking to maintain and improve asset value through the remodeling of houses and the management of rental housing.

Pick Up!

Real estate management fees

The number of Sha Maison units being managed, where the occupancy rate is 98.0%, has reached 666 thousand.

In the rental housing business, one of the core businesses in the real estate management fees business, there are a variety of initiatives for the maximization of the value of the assets owned by the owners of Sha Maison, the rental housing built by Sekisui House. We have adopted a subleasing service system, where the Sekisui House Real Estate Group leases all Sha Maison properties from their owners for a fixed monthly payment whether there are vacancies or not. We propose the renovation of properties to meet the needs of the times and to maintain or increase rents, while securing a certain occupancy rate. Strengthening relationships with owners through those efforts supports the long-term stable management of Sha Maison.

We also strive to increase the level of service provided to residents every day. In January 2021, we started the industry's first one-stop service providing services for moving, including property visits, applications and contracts, using blockchain to reduce the burdens on residents. Approximately 3,000 Sha Maison shops, which are exclusive agents, are established in communities nationwide and act as points of contact with potential residents. The Sekisui House Real Estate Group, which concludes rental agreements, provides high-quality property management and services.

With the high 98.0% occupancy rate, 666 thousand units are under management as of July 31, 2021, due to a strategy focusing on areas where there is strong demand for rental housing, primarily in urban areas, and the supply of new Sha Maison properties, which include Hotel Like Style design, high quality features, and attractive living spaces.

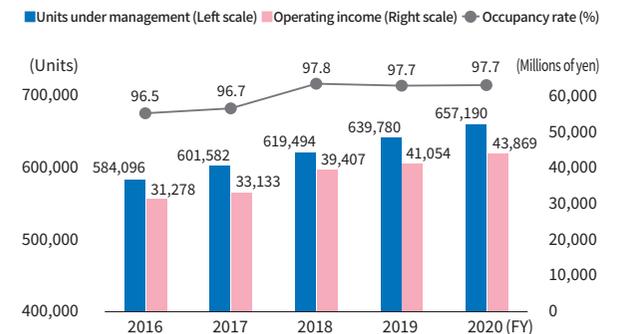
The main feature of the rental housing business is continued stable growth due the supply of new Sha Maison properties and rental income.

Another core business of the real estate management fees business is the brokerage business, which arranges the buying and selling of residential properties and land. The brokerage business adds to the results of the real estate management fees business to grow the business as a whole.

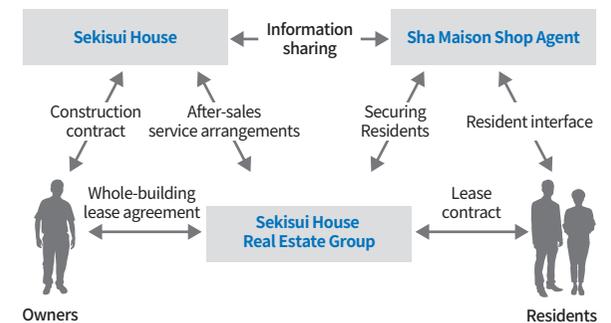


Sha Maison, high value-added rental housing

Trend in units under management, operating income and occupancy rate



Three entities support owners and residents.



TOPICS

Contributing to Customers' "Happiness" and the Realization of a Sustainable Society
Sekisui House Conducts a Range of Activities Aiming to be a Leading Company in ESG Management

Continuing to encourage all male employees to take paternity leave to create a virtuous cycle for all employees, workplaces, companies, and customers

According to the Ministry of Health, Labour and Welfare, the percentage of male employees taking paternity leave remained low at 7% in FY2019 and rose to 12% in FY2020. We believe the public-private efforts have started to be reflected in the statistics. In September 2018, Sekisui House started a special childcare leave program. As a company putting kids first, we encouraged male employees to take paternity leave. We sought to have all eligible male employees take one month or more of paternity leave. As of July 31, 2021, all 1,020 male employees for whom the deadline for taking paternity leave had passed had taken one month or more of paternity leave. The Child Care and Family Care Leave Act was revised in June 2021, and we believe that the trend of the entire society towards men's participation in childcare will accelerate. We started our paternity leave initiative with the hope of enabling our employees and their families to be happy while proposing happiness for our customers. Male employees actively taking paternity leave has led to the creation of a culture of mutual assistance, which is praised by customers. We will continue the initiative to broaden the reach of this cycle of happiness internally and externally.

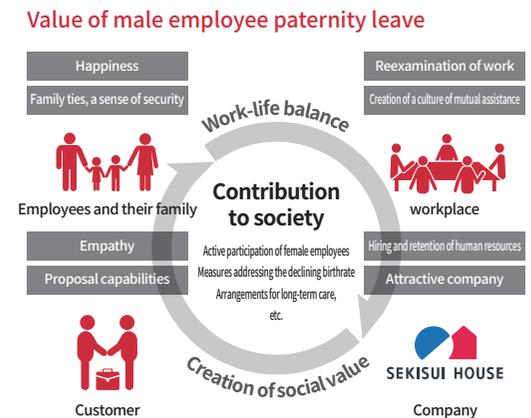
Family Meeting Sheet for the visualization of work sharing

Discussing the purpose of childcare leave and a vision of the family with your family members is important for making childcare leave meaningful. People who are eligible for childcare leave are advised to first look at how they presently share work, including housework and childcare, and discuss the division of labor during childcare leave and after returning to work using this sheet.



“Family Meeting Sheet”
(Japanese only)

<https://www.sekisuihouse.co.jp/library/ikukyu/pdf/meeting-sheet.pdf>



Male employees taking childcare leave post snapshots of childcare and housework on the Sekisui House intranet site, The Photo Exhibition of Daddies. The site shows our colleagues as they are at home with their families and creates opportunities for employees to think about happiness.

Active Information Gathering before Visiting Model Homes. Expanding the content shared, primarily on social media, to increase customer contact points.

In recent years, customers have significantly changed the ways they gather information about the creation of homes. An increasing number of customers gathers information themselves, actively studying homes before face-to-face negotiations. A survey of the House Construction Promotion Foundation and the Housing Exhibiter Conference says that the number of groups that visited model homes in FY2020 fell 22% year on year. The COVID-19 pandemic has encouraged changes in customers' preferences and behavior.

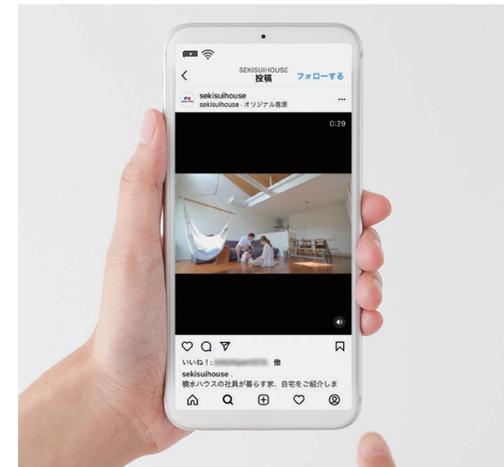
Sekisui House detected the changes early on and developed an environment to enable customers to consider new homes at home. Specifically, we are active on social media platforms, including Instagram. On Instagram, we share information about housing and enable the families of Sekisui House property owners to post photos and videos. Loyal owners actively post photos and videos, and Instagram has created a community. We invite customers who are interested in purchasing a home to visit model homes. After customers have hands-on experience at a Tomorrow's Life Museum, we propose a home for them.

Ouchi de Sumai Zukuri, with a variety of content

The Ouchi de Sumai Zukuri website enables customers to examine homes. Customers at home can have questions answered about land surveys and financial plans in addition to design, layouts, and other planning. The website includes Shain no Jitaku Shokai (showing employees' homes), Virtual Tenjijo Kengaku (a virtual model home tour), Ouchi de Tochi Sagashi (looking for land from home), Loan Simulation, and other content. The overwhelming majority of services, including negotiations and meetings, other than visits to homes are provided online. Online services contribute to increasing Sekisui House's operational efficiency.

Topics②

New normal for the creation of homes



Information from Sekisui House and many posts from owners can be viewed on Instagram. Customers are able to gather realistic information from Sekisui House.



“Ouchi-de-Sumai-Zukuri
(making house at home)”
(Japanese only)

<https://www.sekisuihouse.co.jp/ouchi/>



SEKISUI HOUSE