

Sekisui House, Ltd.

First Quarter of FY2020

(February 1, 2020 through April 30, 2020)

- Summary of Consolidated Financial Results -

1. Overview
2. Financial Position
3. Segment Information

Built-to-Order Business

Supplied Housing Business

Development Business

Overseas Business

<Reference> Full-Year Forecasts for FY2020

June 4, 2020

The Architectural/Civil Engineering Business was included starting with the current fiscal year, and therefore, figures for the previous fiscal year are also presented after the reclassification.

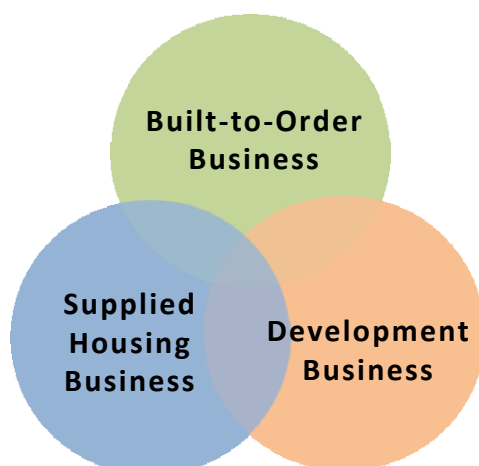
Core Policy for Fifth Mid-Term Management Plan

**Further strengthening core businesses
and embarking on new businesses**

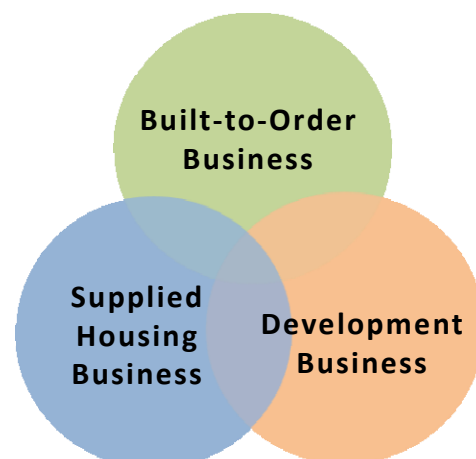
Sekisui House's Goals

**Expand domestic and overseas businesses through
offering integrated proposals of technologies,
lifestyle design and services**

Domestic Business



Overseas Business



**Realize sustainable growth of Sekisui House Group
through the organic growth of six business pillars.**

1. Overview



➤ Overview

Record-high first-quarter net sales and profit achieved. Konoike Construction Co., Ltd, a newly consolidated subsidiary, also contributed. Attention should be paid continuously because orders received decreased year on year in some segments due to the impact of COVID-19.

➤ Highlights

- **Built-to-Order Business:** In the Custom Detached Houses Business and Rental Housing business, earnings remained in line with the Company's plan, reflecting the progress in construction, as were in the Architectural and Civil Engineering Business thanks to contributions by Konoike Construction Co., Ltd. However, orders received continued to fall year on year, reflecting a decrease in the number of face-to-face negotiation opportunities attributable to the impact of COVID-19. The Company will continue to facilitate sales activities through online conferences, among other means.
- **Supplied Housing Business:** In the Remodeling Business, both sales and orders received decreased, reflecting a situation similar to the Built-to-Order Business. On the other hand, the Real Estate Management Fees Business stably maintained high occupancy rates through the area marketing strategy and secured an increase in profit.
- **Development Business:** With contracted properties delivered, the Condominium Business made progress in line with the Company's plan. In the Urban Redevelopment Business, properties were sold mainly to REITs according to the plan.
- **Overseas Business:** Progress was made in property sales in the multifamily business in the United States and delivery of contracted condominium units in China. With respect to the future outlook, the Company will continue to monitor impacts and situations in each country.

(¥ billion)

	FY2019 (19/2-19/4)		FY2020 (20/2-20/4)			
	Results	Margin	Results	Margin	Amount changed	YOY
Net sales	477.1		598.0		120.9	25.3%
Built-to-Order	180.8		245.6		64.8	35.9%
Supplied Housing	165.9		171.4		5.5	3.4%
Development	71.0		92.3		21.2	30.0%
Overseas	40.5		70.0		29.5	73.0%
Gross profit	98.6	20.7%	120.8	20.2%	22.1	22.5%
Built-to-Order	41.9	23.2%	51.4	21.0%	9.5	22.7%
Supplied Housing	31.0	18.7%	32.6	19.0%	1.5	5.1%
Development	13.8	19.5%	20.4	22.1%	6.5	47.4%
Overseas	10.1	25.1%	15.1	21.6%	4.9	48.6%
SG&A	64.5		69.9		5.4	8.5%
Operating income	34.1	7.2%	50.8	8.5%	16.6	48.8%
Built-to-Order	17.7	9.8%	23.6	9.6%	5.9	33.3%
Supplied Housing	16.0	9.7%	16.6	9.7%	0.5	3.3%
Development	7.8	11.0%	13.8	15.0%	6.0	77.2%
Overseas	2.9	7.3%	8.1	11.6%	5.1	173.0%
Non-operating income/expenses	0.7		(3.2)		(4.0)	—
Ordinary income	34.9	7.3%	47.5	8.0%	12.6	36.2%
Extraordinary income	—		—		—	—
Extraordinary loss	0.2		0.7		0.4	162.5%
Profit attributable to owners of parent	23.6	5.0%	30.6	5.1%	6.9	29.5%
EPS (yen)	34.37		44.85			

(Non-operating income/expenses)
 -Equity in earnings of affiliates:
 ¥0.4 billion (down ¥0.9 billion
 YOY)
 -Foreign exchange gain(loss): ¥(3.3
 billion)(down ¥3.9 billion YOY)
 -Interest expenses: ¥0.7 billion
 (down ¥0.7 billion YOY)

➤ State of Orders

(¥ billion)

Consolidated orders				Order backlog			
FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed	YOY	FY2019 (Jan. 31, 2020)	FY2020 1Q (Apr. 30, 2020)	Amount changed	Change
596.1	571.7	(24.3)	(4.1%)	1,408.4	1,382.1	(26.3)	(1.9%)

2. Financial Position



➤ Consolidated Balance Sheets

(¥ billion)

(Assets)	FY2019 (Jan. 31, 2020)	FY2020 1Q (Apr. 30, 2020)	Amount changed	(Liabilities and net assets)	FY2019 (Jan. 31, 2020)	FY2020 1Q (Apr. 30, 2020)	Amount changed
Total current assets	1,816.0	1,712.8	(103.1)	Total current liabilities	821.8	752.2	(69.6)
Real estate for sale*	978.9	946.4	(32.5)	Total long-term liabilities	506.0	490.9	(15.0)
Total noncurrent assets	818.7	806.1	(12.6)	Total liabilities	1,327.8	1,243.1	(84.7)
Total assets	2,634.7	2,518.9	(115.7)	Total net assets	1,306.8	1,275.8	(31.0)
				Total liabilities and net assets	2,634.7	2,518.9	(115.7)

* Total of Buildings for sale, Land for sale in lots, and Undeveloped land for sale

[Main factors of change]

- Current assets: Cash and deposits decreased following the payments of notes and accounts payable and income taxes.

Real estate for sale by segment

Houses for sale: ¥115.7 billion (As of Jan. 31, 2020: ¥113.5 billion) Condominiums: ¥136.5 billion (As of Jan. 31, 2020: ¥137.0 billion)

Urban redevelopment: ¥43.2 billion (As of Jan. 31, 2020: ¥50.9 billion) Overseas: ¥650.9 billion (As of Jan. 31, 2020: ¥677.3 billion)

➤ State of Interest-bearing Debts

	FY2019 (Jan. 31, 2020)	FY2020 1Q (Apr. 30, 2020)	Amount changed
Interest-bearing debts (¥ billion)	586.8	561.5	(25.3)
D/E ratio	46.4%	45.5%	(0.9p)
taking into account hybrid bonds	39.7%	38.7%	(1.0p)
Equity ratio	48.1%	49.0%	0.9p

➤ State of Cash Flows

(¥ billion)

	FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed
Net cash provided by (used in) operating activities	(47.1)	(20.6)	26.4
Net cash provided by (used in) investing activities	(26.4)	(25.0)	1.3
Free cash flow	(73.5)	(45.7)	27.8
Net cash provided by (used in) financing activities	(6.3)	(48.3)	(42.0)
Net increase (decrease) in cash and cash equivalents	(78.7)	(98.8)	(20.0)
Cash and cash equivalents at beginning of period	342.8	583.2	
Cash and cash equivalents at end of period	264.1	484.4	

[Main factors of change]

- (Increase) decrease in inventories: Previous period ¥(29.1) billion, Current period: ¥15.1 billion

➤ State of Investment

(¥ billion)

	FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed	FY2020 Full-year plan
Capital expenditures	26.4	19.7	(6.7)	90.0
Depreciation and amortization	5.2	5.1	(0)	22.0

3. Segment Information



➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed	YOY
Custom Detached Houses	85.1	71.3	(13.7)	(16.2%)
Rental Housing	83.2	89.2	6.0	7.3%
Architectural/Civil Engineering	12.4	84.9	72.5	583.9%
Total	180.8	245.6	64.8	35.9%

Gross margin		
FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed
24.5%	24.1%	(0.4p)
24.2%	23.2%	(1.0p)
7.6%	15.9%	8.3p
23.2%	21.0%	(2.2p)

	Operating income			
	FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed	YOY
Custom Detached Houses	8.9	5.4	(3.4)	(39.0%)
Rental Housing	8.9	8.7	(0.1)	(2.2%)
Architectural/Civil Engineering	(0.1)	9.4	9.5	—%
Total	17.7	23.6	5.9	33.3%

Operating margin		
FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed
10.5%	7.6%	(2.9p)
10.8%	9.8%	(1.0p)
(1.1%)	11.1%	12.2p
9.8%	9.6%	(0.2p)

	Orders			
	FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed	YOY
Custom Detached Houses	102.7	78.8	(23.9)	(23.3%)
Rental Housing	107.2	91.2	(15.9)	(14.9%)
Architectural/Civil Engineering	18.1	95.7	77.5	428.1%
Total	228.1	265.8	37.7	16.5%

Order backlog		
FY2019 (Jan. 31, 2020)	FY2020 1Q (Apr. 30, 2020)	Amount changed
184.3	191.7	7.4
376.5	378.5	1.9
386.5	397.2	10.7
947.4	967.5	20.1

	ASP per building (10 thousand yen)		
	FY2019 (19/2-20/1)	FY2019 (19/2-20/1)	Amount changed
Custom Detached Houses	3,993	4,157	164
Rental Housing	10,241	11,348	1,107

■ Custom Detached Houses Business

Ratio of Green First Zero: 89% (as of end of April)

Ratio of three- and four-story housing (in value): 9.4%

■ Rental Housing Business

Ratio of three- and four-story housing (in value): 80.4%

➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed	YOY
Remodeling	32.3	31.6	(0.6)	(2.1%)
Real Estate Management Fees	133.5	139.8	6.2	4.7%
Total	165.9	171.4	5.5	3.4%

Gross margin		
FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed
27.4%	27.1%	(0.3p)
16.6%	17.2%	0.6p
18.7%	19.0%	0.3p

	Operating income			
	FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed	YOY
Remodeling	4.4	3.9	(0.4)	(9.5%)
Real Estate Management Fees	11.6	12.6	0.9	8.1%
Total	16.0	16.6	0.5	3.3%

Operating margin		
FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed
13.6%	12.6%	(1.0p)
8.7%	9.0%	0.3p
9.7%	9.7%	0.0p

	Orders			
	FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed	YOY
Remodeling	42.5	31.8	(10.6)	(25.1%)
Real Estate Management Fees	133.5	139.8	6.2	4.7%
Total	176.0	171.6	(4.3)	(2.5%)

Order backlog		
FY2019 (Jan. 31, 2020)	FY2020 1Q (Apr. 30, 2020)	Amount changed
27.9	28.1	0.1
—	—	—
27.9	28.1	0.1

■ Real Estate Management Fees Business

Number of units under management: 645 thousand

Occupancy ratio: 98.0% (up 0.3p from the end of the previous year)

3. Segment Information



Development Business

(¥ billion)

	Net sales			
	FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed	YOY
Houses for Sale	36.9	26.2	(10.6)	(28.9%)
Condominiums	19.7	28.9	9.2	46.9%
Urban Redevelopment	14.3	37.0	22.6	157.8%
Total	71.0	92.3	21.2	30.0%

Gross margin		
FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed
19.2%	18.2%	(1.0p)
20.3%	20.6%	0.3p
19.2%	26.1%	6.9p
19.5%	22.1%	2.6p

	Operating income			
	FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed	YOY
Houses for Sale	2.8	1.0	(1.8)	(63.6%)
Condominiums	2.8	4.3	1.5	54.4%
Urban Redevelopment	2.0	8.3	6.3	302.0%
Total	7.8	13.8	6.0	77.2%

Operating margin		
FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed
7.8%	4.0%	(3.8p)
14.4%	15.1%	0.7p
14.5%	22.6%	8.1p
11.0%	15.0%	4.0p

	Orders			
	FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed	YOY
Houses for Sale	36.7	30.8	(5.9)	(16.1%)
Condominiums	14.8	14.2	(0.5)	(3.9%)
Urban Redevelopment	16.7	18.5	1.8	10.8%
Total	68.3	63.6	(4.6)	(6.8%)

Order backlog		
FY2019 (Jan. 31, 2020)	FY2020 1Q (Apr. 30, 2020)	Amount changed
41.5	46.1	4.5
87.7	73.0	(14.6)
30.6	12.0	(18.5)
159.8	131.2	(28.6)

Urban Redevelopment Business

Sales from property sales: ¥28.4 billion (Previous period: ¥3.6 billion)

Profit from property sales: ¥8.0 billion (Previous period: ¥0.9 billion)

Overseas Business

(¥ billion)

	FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed	YOY
Net sales	40.5	70.0	29.5	73.0%
Operating income	2.9	8.1	5.1	173.0%
Orders	99.6	59.1	(40.5)	(40.7%)

	FY2019 (19/2-19/4)	FY2020 (20/2-20/4)	Amount changed
Gross margin	25.1%	21.6%	(3.5p)
Operating margin	7.3%	11.6%	4.3p
Order backlog (¥ billion)	FY2019 (Jan. 31, 2020) 222.3	FY2020 1Q (Apr. 30, 2020) 211.3	Amount changed (10.9)

Overseas Business / Details by country

Country	FY2020 (20/2-20/4)					FY2020 1Q (Apr. 30, 2020)	
	Net sales	Operating income	Ordinary income	Orders	Exchange rate(yen)	Order backlog	Investment balance
Australia	6.9	0.2	0.2	4.3	71.96	24.0	121.5
China	12.7	2.4	2.8	4.7	15.56	92.7	105.6
U.S.A	50.3	5.7	5.6	49.9	109.22	94.5	446.9
Singapore *			0.7		79.01		42.8
U.K.*			(0.2)		140.20		3.4
Other Administrative expenses	—	(0.2)	(0.2)	—	—	—	—
Total	70.0	8.1	8.9	59.1	—	211.3	720.3

Country	FY2019 (19/2-19/4)					FY2019 (Jan. 31, 2020)	
	Net sales	Operating income	Ordinary income	Orders	Exchange rate(yen)	Order backlog	Investment balance
Australia	2.4	(0.4)	(0.4)	3.1	78.78	26.6	140.3
China	8.8	0.9	1.1	22.1	16.37	100.7	116.8
U.S.A	29.2	2.7	1.4	74.3	110.46	94.9	444.5
Singapore *			0.4		81.51		43.8
U.K.*			—		143.99		3.4
Other Administrative expenses	—	(0.3)	(0.3)	—	—	—	—
Total	40.5	2.9	2.2	99.6	—	222.3	749.0

* Accounted for by the equity method

3. Segment Information



(¥ billion)

		FY2019 (19/2-19/4)					FY2020 (20/2-20/4)				
		Net sales	Operating income	Operating margin	Gross margin	Orders	Net sales	Operating income	Operating margin	Gross margin	Orders
Built-to-Order Business	Custom Detached Houses	85.1	8.9	10.5%	24.5%	102.7	71.3	5.4	7.6%	24.1%	78.8
	Rental Housing	83.2	8.9	10.8%	24.2%	107.2	89.2	8.7	9.8%	23.2%	91.2
	Architectural/Civil Engineering	12.4	(0.1)	(1.1%)	7.6%	18.1	84.9	9.4	11.1%	15.9%	95.7
	Subtotal	180.8	17.7	9.8%	23.2%	228.1	245.6	23.6	9.6%	21.0%	265.8
Supplied Housing Business	Remodeling	32.3	4.4	13.6%	27.4%	42.5	31.6	3.9	12.6%	27.1%	31.8
	Real Estate Management Fees	133.5	11.6	8.7%	16.6%	133.5	139.8	12.6	9.0%	17.2%	139.8
	Subtotal	165.9	16.0	9.7%	18.7%	176.0	171.4	16.6	9.7%	19.0%	171.6
Development Business	Houses for Sale	36.9	2.8	7.8%	19.2%	36.7	26.2	1.0	4.0%	18.2%	30.8
	Condominiums	19.7	2.8	14.4%	20.3%	14.8	28.9	4.3	15.1%	20.6%	14.2
	Urban Redevelopment	14.3	2.0	14.5%	19.2%	16.7	37.0	8.3	22.6%	26.1%	18.5
	Subtotal	71.0	7.8	11.0%	19.5%	68.3	92.3	13.8	15.0%	22.1%	63.6
Overseas Business		40.5	2.9	7.3%	25.1%	99.6	70.0	8.1	11.6%	21.6%	59.1
Other Businesses		18.8	(0.0)	(0.5%)	13.9%	23.9	18.5	(0.9)	(5.0%)	10.7%	11.4
Eliminations and corporate expenses		—	(10.3)	—	—	—	—	(10.4)	—	—	—
Total		477.1	34.1	7.2%	20.7%	596.1	598.0	50.8	8.5%	20.2%	571.7

<Reference> Full-Year Forecasts For FY2020

As stated in the news release, “Statement regarding the Impact of the COVID-19 Coronavirus,” dated May 21, 2020, we are currently analyzing the impact of the spread of COVID-19 on its full-year forecasts for FY2020. Therefore, we will leave the forecasts announced on March 5, 2020, as they are and will promptly announce any impact on its business that should be disclosed.

(¥ billion)

	FY2019 (19/2-20/1) Results	FY2020 (20/2-21/1)	
		Forecasts	YOY
Net sales	2,415.1	2,585.0	7.0%
Gross margin	478.0	506.0	5.8%
Operating income	205.2	206.0	0.4%
Ordinary income	213.9	205.0	(4.2%)
Profit attributable to owners of parent	141.2	137.0	(3.0%)
EPS (yen)	205.79	202.52	(1.6%)
ROA	8.8%	8.0%	—
ROE	11.5%	10.6%	—
Dividend per share (yen)	81.00	86.00*	5.00
Payout ratio	39.4%	42.5%	—

* Including commemorative dividend of 5 yen for our 60th anniversary of Company foundation.

<Reference> Full-Year Forecasts For FY2020 by Segment



■ Sales

(¥ billion)

	FY2019 (19/2-20/1) Results (Recombined)	FY2020 (Full-Year) (20/2-21/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	390.9	346.0	(44.9)	(11.5%)
	Rental Housing	360.0	380.0	19.9	5.5%
	Architectural/Civil Engineering	120.9	325.0	204.0	168.6%
	Subtotal	872.0	1,051.0	178.9	20.5%
Supplied Housing Business	Remodeling	152.7	162.5	9.7	6.4%
	Real Estate Management Fees	534.8	556.5	21.6	4.0%
	Subtotal	687.6	719.0	31.3	4.6%
Development Business	Houses for Sale	151.2	139.0	(12.2)	(8.1%)
	Condominiums	103.9	84.0	(19.9)	(19.2%)
	Urban Redevelopment	131.9	107.0	(24.9)	(18.9%)
	Subtotal	387.1	330.0	(57.1)	(14.8%)
Overseas Business	389.8	410.0	20.1	5.2%	
Other	78.5	75.0	(3.5)	(4.5%)	
Total	2,415.1	2,585.0	169.8	7.0%	

■ Orders

(¥ billion)

	FY2019 (19/2-20/1) Results (Recombined)	FY2020 (Full-Year) (20/2-21/1)		
		Forecasts	Amount changed	YOY
	346.2	366.0	19.7	5.7%
	391.9	410.0	18.0	4.6%
	96.9	347.0	250.0	257.8%
	835.2	1,123.0	287.7	34.4%
	149.7	165.0	15.2	10.2%
	534.8	556.5	21.6	4.0%
	684.5	721.5	36.9	5.4%
	143.3	145.0	1.7	1.2%
	73.6	88.0	12.3	16.7%
	160.6	77.0	(83.6)	(52.1%)
	377.6	308.0	(69.6)	(18.4%)
	500.8	355.0	(145.8)	(29.1%)
	81.6	75.0	(6.6)	(8.2%)
Total	2,480.0	2,582.5	102.4	4.1%

■ Operating income

(¥ billion)

	FY2019 (19/2-20/1) Results (Recombined)	FY2020 (Full-Year) (20/2-21/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	45.9	27.5	(18.4)	(40.1%)
	Rental Housing	49.7	50.0	0.2	0.6%
	Architectural/Civil Engineering	3.7	16.5	12.7	342.4%
	Subtotal	99.3	94.0	(5.3)	(5.4%)
Supplied Housing Business	Remodeling	23.5	25.0	1.4	6.2%
	Real Estate Management Fees	41.0	46.0	4.9	12.0%
	Subtotal	64.5	71.0	6.4	9.9%
Development Business	Houses for Sale	12.2	9.0	(3.2)	(26.6%)
	Condominiums	10.1	10.0	(0.1)	(1.3%)
	Urban Redevelopment	17.0	20.0	2.9	17.3%
	Subtotal	39.4	39.0	(0.4)	(1.1%)
Overseas Business	44.5	46.0	1.4	3.3%	
Other	(0.2)	1.0	1.2	—	
Eliminations and corporate expenses	(42.4)	(45.0)	(2.5)	—	
Total	205.2	206.0	0.7	0.4%	

■ Operating margin

FY2019 (19/2-20/1) Results (Recombined)	FY2020 (20/2-21/1) Forecasts
11.8%	7.9%
13.8%	13.2%
3.1%	5.1%
11.4%	8.9%
15.4%	15.4%
7.7%	8.3%
9.4%	9.9%
8.1%	6.5%
9.7%	11.9%
12.9%	18.7%
10.2%	11.8%
11.4%	11.2%
(0.3%)	1.3%
—	—
8.5%	8.0%

■ Gross margin

FY2019 (19/2-20/1) Results (Recombined)	FY2020 (20/2-21/1) Forecasts
25.4%	24.1%
25.0%	25.0%
9.7%	10.3%
23.0%	20.2%
27.5%	27.7%
15.5%	16.4%
18.2%	18.9%
18.6%	19.4%
16.5%	20.2%
14.9%	21.5%
16.8%	20.3%
20.4%	20.4%
13.4%	15.3%
—	—
19.8%	19.6%

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