

Sekisui House, Ltd.

Second Quarter of FY2020

(February 1, 2020 through July 31, 2020)

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September 10, 2020

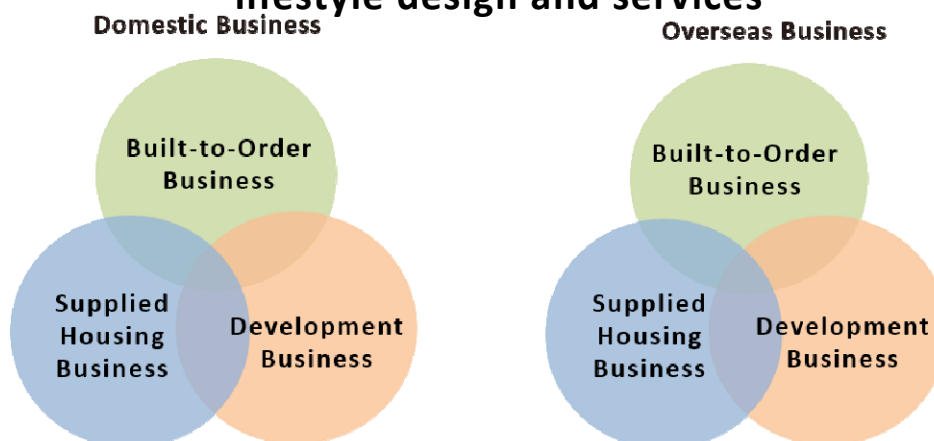
The Architectural / Civil engineering Business was included starting with the current fiscal year, and therefore, figures for the previous fiscal year are also presented after the reclassification.

Fundamental Policy of 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**



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

1 Overview

Overview

Sales and income for the first six months of the fiscal year under review decreased mainly due to the impact of COVID-19.
The Company's plan for the full fiscal year has been revised in light of progress in business performance, order trends, review of property sale plans in the overseas business and other factors.
The Company plans to pay dividends of 82 yen per share for the fiscal year under review.

Highlights

- **Built-to-Order Business:** Sales decreased in the custom detached houses business, while sales increased in the rental housing business attributable to the progress of construction. In the architectural / civil engineering business, Konoike Construction contributed to earnings. In this severe environment for new orders, the Company worked to promote sales activities leveraging virtual reality technology and the internet, using, for example, Ouchi de Sumai Zukuri a service proposing house plans to customers staying in their homes, as well as sales activities targeting corporations, such as proposals for the use of Corporate Real Estate (CRE) and Public Real Estate (PRE). Orders are heading toward recovery.
- **Supplied Housing Business:** Sales and orders declined in the remodeling business due to a decrease in sales opportunities, including visits to potential customers' homes. At the moment, however, orders are heading toward recovery, in the same manner as the Built-to-Order Business, as a result of efforts to promote sales activities via the internet and propose remodeling ideas for working from home and other situations in the new normal. The real estate management fees business was robust, with the occupancy rates remaining stable and at high levels, which was attributable to area marketing strategies.
- **Development Business:** Condominiums are progressing steadily with the delivery of contracted properties. Sales in the urban redevelopment business fell due to a decrease in property sales. However, sales progressed in line with the initial plan.
- **Overseas Business:** Sales and income decreased due to reviews of property sales plans in the multifamily business in the United States. Steady progress was made in the delivery of condominium units for which contracts had been completed in China. In addition, orders in the homebuilding business were strong, reflecting the recovery of the housing market in the U. S.

	FY2019 (19/2-19/7)		FY2020 (20/2-20/7)			
	Results	Margin	Results	Margin	YOY	
					Amount	%
Net sales	1,207.8		1,167.9		(39.8)	(3.3%)
Built-to-Order	398.1		493.9		95.8	24.1%
Supplied Housing	343.6		346.0		2.3	0.7%
Development	218.1		151.1		(67.0)	(30.7%)
Overseas	208.9		140.5		(68.3)	(32.7%)
Gross profit	245.4	20.3%	230.4	19.7%	(14.9)	(6.1%)
Built-to-Order	95.6	24.0%	101.8	20.6%	6.1	6.4%
Supplied Housing	63.5	18.5%	63.8	18.5%	0.3	0.5%
Development	35.7	16.4%	31.4	20.8%	(4.2)	(12.0%)
Overseas	46.4	22.2%	31.0	22.1%	(15.3)	(33.1%)
SG&A	132.3		137.8		5.4	4.1%
Operating income	113.0	9.4%	92.6	7.9%	(20.3)	(18.0%)
Built-to-Order	46.8	11.8%	48.3	9.8%	1.5	3.3%
Supplied Housing	33.2	9.7%	32.5	9.4%	(0.7)	(2.3%)
Development	23.5	10.8%	19.2	12.7%	(4.2)	(18.2%)
Overseas	30.1	14.4%	15.6	11.1%	(14.5)	(48.2%)
Non-operating income/expenses	3.5		(1.9)		(5.4)	-
Ordinary income	116.5	9.6%	90.6	7.8%	(25.8)	(22.2%)
Extraordinary income	-		-		-	-
Extraordinary loss	0.8		1.4		0.6	75.2%
Profit attributable to owners of parent	77.4	6.4%	59.4	5.1%	(18.0)	(23.2%)
EPS (yen)	112.53		87.10			

(Non-operating income/expenses)
 • Equity in earnings of affiliates:
 ¥0.9 billion (down ¥4.8 billion YOY)
 • Foreign exchange gain(loss): ¥(3.3 billion)(down ¥2.5 billion YOY)
 • Interest expenses: ¥1.4 billion (down ¥1.5 billion YOY)

State of Orders

Consolidated orders				Order backlog			
FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	YOY		FY2019 (Jan. 31, 2020)	FY2020 2Q (Jul. 31, 2020)	Change	
		Amount	%			Amount	%
1,325.4	1,135.4	(189.9)	(14.3%)	1,408.4	1,375.8	(32.5)	(2.3%)

2 Financial Position

Consolidated Balance Sheets

(¥ billion)

(Assets)	FY2019 (Jan. 31, 2020)	FY2020 2Q (Jul. 31, 2020)	Amount changed	(Liabilities and net assets)	FY2019 (Jan. 31, 2020)	FY2020 2Q (Jul. 31, 2020)	Amount changed
Total current assets	1,816.0	1,774.6	(41.3)	Total current liabilities	821.8	795.7	(26.0)
Real estate for sale *	978.9	970.6	(8.3)	Total long-term liabilities	506.0	472.0	(33.9)
Total noncurrent assets	818.7	812.6	(6.1)	Total liabilities	1,327.8	1,267.8	(60.0)
Total assets	2,634.7	2,587.2	(47.4)	Total net assets	1,306.8	1,319.4	12.5
				Total liabilities and net assets	2,634.7	2,587.2	(47.4)

* 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 dividends and income taxes, among others.
- Liabilities and net assets: Redemption of bonds, translation adjustments decreased.

Real estate for sale by segment

Houses for sale: ¥119.1 billion (As of Jan. 31, 2020: ¥113.5 billion) Condominiums: ¥139.5 billion (As of Jan. 31, 2020: ¥137.0 billion)

Urban redevelopment: ¥48.1 billion (As of Jan. 31, 2020: ¥50.9 billion) Overseas: ¥663.8 billion (As of Jan. 31, 2020: ¥677.3 billion)

State of Interest-bearing Debts

	FY2019 (Jan. 31, 2020)	FY2020 2Q (Jul. 31, 2020)	Amount changed
Interest-bearing debts (¥ billion)	586.8	578.8	(8.0)
D/E ratio	46.4%	45.3%	(1.1 p)
taking into account hybrid bonds	39.7%	38.8%	(0.9 p)
Equity ratio	48.1%	49.4%	1.3 p

State of Cash Flows

(¥ billion)

	FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	Amount changed
Net cash provided by (used in) operating activities	233.1	39.7	(193.3)
Net cash provided by (used in) investing activities	(43.4)	(40.8)	2.5
Free cash flow	189.7	(1.0)	(190.8)
Net cash provided by (used in) financing activities	(57.3)	(33.2)	24.1
Net increase (decrease) in cash and cash equivalents	127.6	(39.2)	(166.9)
Cash and cash equivalents at beginning of period	342.8	583.2	
Cash and cash equivalents at end of period	470.5	544.0	

[Main factors of change]

- (Increase) decrease in inventories: Previous period ¥119.4 billion, Current period: ¥10.0 billion

State of Investment

(¥ billion)

	FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	Amount changed	FY2020 Full-year plan
Capital expenditures	37.0	34.0	(3.0)	90.0
Depreciation and amortization	10.4	10.4	(0.0)	22.0

3 Segment Information

Built-to-Order Business

(¥ billion)

	Net sales			
	FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	YOY	
			Amount	%
Custom detached houses	201.7	157.5	(44.2)	(21.9%)
Rental housing	172.9	176.3	3.3	1.9%
Architectural / Civil engineering	23.3	160.1	136.7	584.7%
Total	398.1	493.9	95.8	24.1%

Gross margin		
FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	Change
25.3%	25.0%	(0.3 p)
24.9%	24.0%	(0.9 p)
7.3%	12.5%	5.2 p
24.0%	20.6%	(3.4 p)

	Operating income			
	FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	YOY	
			Amount	%
Custom detached houses	24.5	14.9	(9.6)	(39.3%)
Rental housing	23.1	21.8	(1.3)	(5.7%)
Architectural / Civil engineering	(0.8)	11.6	12.5	–
Total	46.8	48.3	1.5	3.3%

Operating margin		
FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	Change
12.2%	9.5%	(2.7 p)
13.4%	12.4%	(1.0 p)
(3.6%)	7.3%	10.9p
11.8%	9.8%	(2.0 p)

(¥ billion)

	Orders			
	FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	YOY	
			Amount	%
Custom detached houses	192.8	155.3	(37.5)	(19.5%)
Rental housing	203.1	178.6	(24.4)	(12.1%)
Architectural / Civil engineering	25.3	136.3	110.9	436.7%
Total	421.4	470.2	48.8	11.6%

Order backlog		
FY2019 (Jan. 31, 2020)	FY2020 2Q (Jul. 31, 2020)	Amount changed
184.3	182.0	(2.2)
376.5	378.8	2.3
386.5	362.7	(23.8)
947.4	923.6	(23.7)

	ASP per building (10 thousand yen)		
	FY2019 (19/2-20/1)	FY2020 (20/2-20/7)	Amount changed
Rental housing	10,241	11,360	1,119

- Custom detached houses business
Ratio of Green First Zero: 88% (April through July)
Ratio of three- and four-story housing (in value): 8.9%
- Rental housing business
Ratio of three- and four-story housing (in value): 77.8%

Supplied Housing Business

(¥ billion)

	Net sales			
	FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	YOY	
			Amount	%
Remodeling	77.5	68.9	(8.5)	(11.0%)
Real estate management fees	266.1	277.0	10.8	4.1%
Total	343.6	346.0	2.3	0.7%

Gross margin		
FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	Change
27.6%	27.5%	(0.1 p)
15.8%	16.2%	0.4 p
18.5%	18.5%	0.0 p

	Operating income			
	FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	YOY	
			Amount	%
Remodeling	12.2	9.7	(2.4)	(19.9%)
Real estate management fees	21.0	22.7	1.6	7.9%
Total	33.2	32.5	(0.7)	(2.3%)

Operating margin		
FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	Change
15.8%	14.2%	(1.6 p)
7.9%	8.2%	0.3 p
9.7%	9.4%	(0.3 p)

(¥ billion)

	Orders			
	FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	YOY	
			Amount	%
Remodeling	80.2	66.5	(13.6)	(17.0%)
Real estate management fees	266.1	277.0	10.8	4.1%
Total	346.4	343.6	(2.8)	(0.8%)

Order backlog		
FY2019 (Jan. 31, 2020)	FY2020 2Q (Jul. 31, 2020)	Amount changed
27.9	25.5	(2.3)
–	–	–
27.9	25.5	(2.3)

- Real estate management fees business
Number of units under management: 650 thousand
Occupancy ratio: 97.7% (± 0.0p from the end of the previous year)

3 Segment Information

Development Business

(¥ billion)

	Net sales			
	FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	YOY	
			Amount	%
Houses for sale	83.6	62.7	(20.8)	(25.0%)
Condominiums	35.4	41.7	6.3	18.0%
Urban redevelopment	99.0	46.5	(52.5)	(53.0%)
Total	218.1	151.1	(67.0)	(30.7%)

Gross margin		
FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	Change
19.3%	18.1%	(1.2 p)
19.0%	20.8%	1.8 p
13.0%	24.5%	11.5 p
16.4%	20.8%	4.4 p

	Operating income			
	FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	YOY	
			Amount	%
Houses for sale	7.6	3.6	(4.0)	(52.9%)
Condominiums	4.2	6.0	1.8	43.9%
Urban redevelopment	11.6	9.5	(2.0)	(17.7%)
Total	23.5	19.2	(4.2)	(18.2%)

Operating margin		
FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	Amount changed
9.2%	5.8%	(3.4 p)
11.9%	14.5%	2.6 p
11.7%	20.5%	8.8 p
10.8%	12.7%	1.9 p

(¥ billion)

	Orders			
	FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	YOY	
			Amount	%
Houses for sale	80.4	67.2	(13.2)	(16.5%)
Condominiums	35.8	28.2	(7.5)	(21.1%)
Urban redevelopment	109.7	33.6	(76.1)	(69.3%)
Total	226.0	129.1	(96.9)	(42.9%)

Order backlog		
FY2019 (Jan. 31, 2020)	FY2020 2Q (Jul. 31, 2020)	Amount changed
41.5	45.9	4.4
87.7	74.2	(13.5)
30.6	17.7	(12.8)
159.8	137.9	(21.9)

Urban redevelopment business

Sales from property sales: ¥30.7 billion (Previous period: ¥77.1 billion)

Profit from property sales: ¥8.4 billion (Previous period: ¥8.9 billion)

Overseas Business

(¥ billion)

	FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	YOY	
			Amount	%
	Net sales	208.9	140.5	(68.3)
Operating income	30.1	15.6	(14.5)	(48.2%)
Orders	286.0	160.4	(125.5)	(43.9%)

	FY2019 (19/2-19/7)	FY2020 (20/2-20/7)	Change
Gross margin	22.2%	22.1%	(0.1 p)
Operating margin	14.4%	11.1%	(3.3 p)
Order backlog (¥ billion)	FY2019 (Jan. 31, 2020) 222.3	FY2020 2Q (Jul. 31, 2020) 242.2	Amount changed 19.9

Overseas Business / Details by country

(¥ billion)

Country	FY2020 (20/2-20/7)				
	Net sales	Operating income	Ordinary income	Orders	Exchange rate(yen)
Australia	10.0	0.1	0.1	13.6	71.84
China	40.7	6.7	7.8	15.6	15.37
U.S.A	89.6	9.1	9.0	131.1	108.43
Singapore *			1.1		77.84
U.K.*			(0.4)		136.97
Other	0.0	(0.4)	(0.4)	0.0	—
Total	140.5	15.6	17.2	160.4	—

FY2020 2Q (Jul. 31, 2020)	
Order backlog	Investment balance
30.2	140.3
75.6	84.7
136.3	461.0
	42.9
	3.4
—	—
242.2	732.6

Country	FY2019 (19/2-19/7)				
	Net sales	Operating income	Ordinary income	Orders	Exchange rate(yen)
Australia	7.6	(0.5)	(0.6)	8.6	77.79
China	21.5	1.8	2.2	78.7	16.22
U.S.A	179.7	29.5	27.1	198.6	110.12
Singapore *			1.6		81.01
U.K.*			(0.1)		142.07
Other	—	(0.6)	(0.6)	—	—
Total	208.9	30.1	29.6	286.0	—

FY2019 (Jan. 31, 2020)	
Order backlog	Investment balance
26.6	140.3
100.7	116.8
94.9	444.5
	43.8
	3.4
—	—
222.3	749.0

* Accounted for by the equity method

3 Segment Information

(¥ billion)

		FY2019 (19/2-19/7)					FY2020 (20/2-20/7)				
		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	201.7	24.5	12.2%	25.3%	192.8	157.5	14.9	9.5%	25.0%	155.3
	Rental housing	172.9	23.1	13.4%	24.9%	203.1	176.3	21.8	12.4%	24.0%	178.6
	Architectural / Civil engineering	23.3	(0.8)	(3.6%)	7.3%	25.3	160.1	11.6	7.3%	12.5%	136.3
	Subtotal	398.1	46.8	11.8%	24.0%	421.4	493.9	48.3	9.8%	20.6%	470.2
Supplied Housing Business	Remodeling	77.5	12.2	15.8%	27.6%	80.2	68.9	9.7	14.2%	27.5%	66.5
	Real estate management fees	266.1	21.0	7.9%	15.8%	266.1	277.0	22.7	8.2%	16.2%	277.0
	Subtotal	343.6	33.2	9.7%	18.5%	346.4	346.0	32.5	9.4%	18.5%	343.6
Development Business	Houses for sale	83.6	7.6	9.2%	19.3%	80.4	62.7	3.6	5.8%	18.1%	67.2
	Condominiums	35.4	4.2	11.9%	19.0%	35.8	41.7	6.0	14.5%	20.8%	28.2
	Urban redevelopment	99.0	11.6	11.7%	13.0%	109.7	46.5	9.5	20.5%	24.5%	33.6
	Subtotal	218.1	23.5	10.8%	16.4%	226.0	151.1	19.2	12.7%	20.8%	129.1
	Overseas Business	208.9	30.1	14.4%	22.2%	286.0	140.5	15.6	11.1%	22.1%	160.4
	Other Businesses	38.9	0.2	0.5%	13.9%	45.3	36.3	(1.4)	(3.9%)	10.4%	31.8
	Eliminations and back office	—	(20.9)	—	—	—	—	(21.6)	—	—	—
	Total	1,207.8	113.0	9.4%	20.3%	1,325.4	1,167.9	92.6	7.9%	19.7%	1,135.4

4 Full-Year Plan For FY2020

(¥ billion)

	FY2019 (19/2-20/1) Results	FY2020 (20/2-21/1)	
		Plan	YOY
Net sales	2,415.1	2,415.0	(0.0%)
Gross margin	478.0	462.0	(3.4%)
Operating income	205.2	175.0	(14.7%)
Ordinary income	213.9	172.5	(19.4%)
Profit attributable to owners of parent	141.2	114.0	(19.3%)
EPS (yen)	205.79	167.22	(18.7%)
ROA	8.8%	6.8%	—
ROE	11.5%	8.9%	—
Dividend per share (yen)	81.00	82.00	1.00
Payout ratio	39.4%	49.0%	—

4 Full-Year Plan For FY2020 by Segment

Sales		FY2020 (Full-Year) (20/2-21/1)			
		FY2019 (19/2-20/1) Results	Plan	Amount changed	YOY
Built-to-Order Business	Custom detached houses	390.9	305.0	(85.9)	(22.0%)
	Rental housing	360.0	362.0	1.9	0.5%
	Architectural / Civil engineering	120.9	312.0	191.0	157.9%
	Subtotal	872.0	979.0	106.9	12.3%
Supplied Housing Business	Remodeling	152.7	144.5	(8.2)	(5.4%)
	Real estate management fees	534.8	556.5	21.6	4.0%
	Subtotal	687.6	701.0	13.3	1.9%
Development Business	Houses for sale	151.2	127.0	(24.2)	(16.0%)
	Condominiums	103.9	84.0	(19.9)	(19.2%)
	Urban redevelopment	131.9	104.0	(27.9)	(21.2%)
	Subtotal	387.1	315.0	(72.1)	(18.6%)
Overseas Business		389.8	350.0	(39.8)	(10.2%)
Other Businesses		78.5	70.0	(8.5)	(10.9%)
Total		2,415.1	2,415.0	(0.1)	(0.0%)

Orders		FY2020 (Full-Year) (20/2-21/1)			
		FY2019 (19/2-20/1) Results	Plan	Amount changed	YOY
		346.2	318.0	(28.2)	(8.2%)
		391.9	382.0	(9.9)	(2.5%)
		96.9	300.0	203.0	209.3%
		835.2	1,000.0	164.7	19.7%
		149.7	144.5	(5.2)	(3.5%)
		534.8	556.5	21.6	4.0%
		684.5	701.0	16.4	2.4%
		143.3	133.0	(10.3)	(7.2%)
		73.6	74.0	0.3	0.4%
		160.6	74.0	(86.6)	(53.9%)
		377.6	281.0	(96.6)	(25.6%)
		500.8	300.0	(200.8)	(40.1%)
		81.6	70.0	(11.6)	(14.3%)
Total		2,480.0	2,352.0	(128.0)	(5.2%)

Operating income		FY2020 (Full-Year) (20/2-21/1)			
		FY2019 (19/2-20/1) Results	Plan	Amount changed	YOY
Built-to-Order Business	Custom detached houses	45.9	25.0	(20.9)	(45.6%)
	Rental housing	49.7	45.0	(4.7)	(9.5%)
	Architectural / Civil engineering	3.7	15.5	11.7	315.5%
	Subtotal	99.3	85.5	(13.8)	(14.0%)
Supplied Housing Business	Remodeling	23.5	20.5	(3.0)	(12.9%)
	Real estate management fees	41.0	46.0	4.9	12.0%
	Subtotal	64.5	66.5	1.9	3.0%
Development Business	Houses for sale	12.2	7.0	(5.2)	(42.9%)
	Condominiums	10.1	10.0	(0.1)	(1.3%)
	Urban redevelopment	17.0	17.0	(0.0)	(0.3%)
	Subtotal	39.4	34.0	(5.4)	(13.8%)
Overseas Business		44.5	34.9	(9.6)	(21.7%)
Other Businesses		(0.2)	(1.9)	(1.6)	—
Eliminations and back office		(42.4)	(44.0)	(1.5)	—
Total		205.2	175.0	(30.2)	(14.7%)

Operating margin		Gross margin	
FY2019 (19/2-20/1) Results	FY2020 (20/2-21/1) Plan	FY2019 (19/2-20/1) Results	FY2020 (20/2-21/1) Plan
11.8%	8.2%	25.4%	24.6%
13.8%	12.4%	25.0%	24.3%
3.1%	5.0%	9.7%	10.4%
11.4%	8.7%	23.0%	20.0%
15.4%	14.2%	27.5%	27.3%
7.7%	8.3%	15.5%	16.4%
9.4%	9.5%	18.2%	18.6%
8.1%	5.5%	18.6%	18.1%
9.7%	11.9%	16.5%	20.2%
12.9%	16.3%	14.9%	19.2%
10.2%	10.8%	16.8%	19.0%
11.4%	10.0%	20.4%	20.4%
(0.3%)	(2.7%)	13.4%	12.1%
—	—	—	—
8.5%	7.2%	19.8%	19.1%

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